

State of Arizona  
House of Representatives  
Fifty-fifth Legislature  
First Regular Session  
2021

# HOUSE BILL 2555

## AN ACT

AMENDING SECTIONS 15-119, 15-181, 15-203, 15-213.01, 15-213.03, 15-341, 15-342, 15-481, 15-491, 15-907, 15-964, 15-995, 15-996, 15-1021 AND 15-1107, ARIZONA REVISED STATUTES; REPEALING SECTION 15-2003, ARIZONA REVISED STATUTES; PROVIDING FOR TRANSFERRING AND RENUMBERING; AMENDING SECTIONS 35-185.01, 35-313, 37-221, 37-521, 41-2632, 41-3022.18, 41-3024.14 AND 41-3026.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 56, ARTICLE 1, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED, BY ADDING SECTIONS 41-5701 AND 41-5701.01; AMENDING SECTIONS 41-5701.02, 41-5702, 41-5703, 41-5704, 41-5705, 41-5711, 41-5721, 41-5731, 41-5741, 41-5751, 41-5752, 41-5753, 41-5754, 41-5755, 41-5756, 41-5757, 41-5758, 41-5759, 41-5760, 41-5761, 41-5762, 41-5763, 41-5764, 41-5781, 41-5782, 41-5783, 41-5784, 41-5785, 41-5786, 41-5787, 41-5788, 41-5789, 41-5790, 41-5791, 41-5792, 41-5793, 41-5794, 41-5805, 41-5810, 41-5832, 41-5841, 41-5851, 41-5853, 41-5854, 41-5857 AND 41-5858, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED; AMENDING SECTIONS 42-5029, 42-5030.01 AND 43-1089.02, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; RELATING TO SCHOOL CAPITAL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

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

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

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

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

10 E. For the purposes of this section:

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

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

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

17 15-181. Charter schools; purpose; scope

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

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

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

30 15-203. Powers and duties

31 A. The state board of education shall:

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

35 2. Keep a record of its proceedings.

36 3. Make rules for its own government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4           (a) Currently resides in this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (i) The transfer of student records.

17 (ii) Awarding credit for completed coursework.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

40 42. For the purposes of Sandra Day O'Connor civics celebration day  
41 instruction under section 15-710.01, develop a list of recommended  
42 resources relating to civics education that align with the academic  
43 standards prescribed by the state board of education in social studies  
44 pursuant to sections 15-701 and 15-701.01. The state board shall

1 establish a process that allows public schools to recommend resources for  
2 addition to the list.

3 B. The state board of education may:

4 1. Contract.

5 2. Sue and be sued.

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

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

16 5. Proceed with the disposal of any complaint requesting  
17 disciplinary action or with any disciplinary action against a person  
18 holding a certificate as prescribed in subsection A, paragraph 14 of this  
19 section after the suspension or expiration of the certificate or surrender  
20 of the certificate by the holder.

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

25 Sec. 4. 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  
32 process as provided by the procurement practices adopted by the state  
33 board of education.

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

43 C. The school district shall use objective criteria in selecting  
44 the qualified provider, including the cost of the contract, the energy  
45 cost savings, the net projected energy savings, the quality of the

1 technical approach, the quality of the project management plan, the  
2 financial solvency of the qualified provider and the experience of the  
3 qualified provider with projects of similar size and scope. The school  
4 district shall set forth each criterion with its respective numerical  
5 weighting in the request for proposal.

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

12 E. A study shall be performed by the selected qualified provider in  
13 order to establish the exact scope of the guaranteed energy cost savings  
14 contract, the fixed cost savings guarantee amount and the methodology for  
15 determining actual savings. This report shall be reviewed and approved by  
16 the school district before the actual installation of any equipment. The  
17 qualified provider shall transmit a copy of the approved study to the  
18 **DIVISION OF** school facilities ~~board~~ **WITHIN THE DEPARTMENT OF**  
19 **ADMINISTRATION** and the governor's office ~~of energy policy~~.

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

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

38 G. The information to develop the energy baseline shall be derived  
39 from historical energy costs or actual energy measurements or shall be  
40 calculated from energy measurements at the facility where energy cost  
41 savings measures are to be installed or implemented. The baseline shall  
42 be established before the installation or implementation of energy cost  
43 savings measures.

44 H. At the qualified provider's expense, the proposal shall include  
45 an independent third-party validation of cost savings calculations

1 associated with each proposed energy cost savings measure by a licensed,  
2 registered professional engineer, with credentials from the national  
3 association of energy engineers, who has demonstrated experience in energy  
4 analysis. The school district must approve the selection of the  
5 credentialed engineer.

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

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

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

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

32 3. Use the international performance and measurement and  
33 verification protocol standards or the federal energy management program  
34 standards to validate the savings guarantee.

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

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

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

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

- 3 1. The name of the project.
- 4 2. The name of the qualified provider.
- 5 3. The total cost of the project.
- 6 4. The expected energy cost savings and relevant escalators.
- 7 5. The agreed-on baseline in the measurement and verification
- 8 agreement in both kilowatt hours and dollars.

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

11 P. A school district may use a simplified energy performance  
12 contract for projects that are less than ~~five hundred thousand dollars~~  
13 **\$500,000**. Simplified energy performance contracts are not required to  
14 include an energy savings guarantee and shall comply with all requirements  
15 in this section except for the requirements that are specifically related  
16 to the energy savings guarantee and the measurement and verification of  
17 the guaranteed savings.

18 Q. For the purposes of this section:

19 1. "Construction" means the process of building, altering,  
20 repairing, improving or demolishing any school district structure or  
21 building, or other public improvements of any kind to any school district  
22 real property. Construction does not include the routine operation,  
23 routine repair or routine maintenance of existing structures, buildings or  
24 real property.

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

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

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

33 (b) Storm windows or doors, caulking or weather stripping,  
34 multiglazed windows or door systems, additional glazing, reductions in  
35 glass area, or other window and door system modifications that reduce  
36 energy consumption.

37 (c) Automated or computerized energy control systems.

38 (d) Heating, ventilating or air conditioning system modifications  
39 or replacements, including geothermal.

40 (e) Replacing or modifying lighting fixtures to increase the energy  
41 efficiency of the lighting system without increasing the overall  
42 illumination of a facility unless an increase in illumination is necessary  
43 to conform to the applicable state or local building code for the lighting  
44 system after the proposed modifications are made.

- 1 (f) Indoor air quality improvements to increase air quality that  
2 conform to the applicable state or local building code requirements.
- 3 (g) Energy recovery systems.
- 4 (h) Installing a new or retrofitting an existing day lighting  
5 system.
- 6 (i) Procurement of low-cost utility supplies of all types,  
7 including electricity, natural gas, propane and water.
- 8 (j) Devices that reduce water consumption and water costs or that  
9 reduce sewer charges.
- 10 (k) Rainwater harvesting systems.
- 11 (l) Combined heat and power systems.
- 12 (m) Renewable and alternative energy projects and renewable energy  
13 power service agreements.
- 14 (n) Self-generation systems.
- 15 (o) Any additional building systems and infrastructure that produce  
16 energy, or that provide utility cost savings not specifically mentioned in  
17 this paragraph, if the improvements meet the life-cycle cost requirement  
18 and enhance building system performance or occupant comfort and safety,  
19 excluding those systems that fall under section 15-213.02.
- 20 (p) Geothermal.
- 21 4. "Guaranteed energy cost savings contract" means a contract for  
22 implementing one or more energy cost savings measures.
- 23 5. "Life-cycle cost" means the sum of present values of investment  
24 costs, capital costs, installation costs, energy costs, operating costs,  
25 maintenance costs and disposal costs and utility rebates over the life of  
26 the project, product or measure as provided by federal life-cycle cost  
27 rules, regulations and criteria contained in the United States department  
28 of energy federal energy management program "guidance on life-cycle cost  
29 analysis" required by executive order 13423, January 2007.
- 30 6. "Qualified provider" means a person or a business that is  
31 experienced in designing, implementing or installing energy cost savings  
32 measures, that has a record of established projects or measures of similar  
33 size and scope, that has demonstrated technical, operational, financial  
34 and managerial capabilities to design and operate energy cost savings  
35 measures and projects and that has the financial ability to satisfy  
36 guarantees for energy cost savings.
- 37 Sec. 5. Section 15-213.03, Arizona Revised Statutes, is amended to  
38 read:
- 39 15-213.03. Procurement practices; guaranteed energy  
40 production contracts; definitions
- 41 A. Notwithstanding section 15-213, subsection A, a school district  
42 may ~~contract for the procurement of~~ PROCURE a guaranteed energy production  
43 contract with a qualified provider through a competitive sealed proposal  
44 process as provided by the procurement practices adopted by the state  
45 board of education.

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

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

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

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

28           1. Prepare a measurement and verification report on an annual basis  
29 in addition to an annual reconciliation of any guaranteed energy  
30 production shortfall.

31           2. Reimburse the school district for any guaranteed energy  
32 production shortfall on an annual basis by multiplying any energy  
33 production shortfall by either the difference between the guaranteed  
34 energy price and the effective utility rate, or an alternative method as  
35 mutually agreed on by the school district and the **QUALIFIED** provider.

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

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

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

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

- 4 1. The name of the project.
- 5 2. The NAME OF THE qualified provider.
- 6 3. The total cost of the project.
- 7 4. The expected guaranteed energy production and guaranteed energy  
8 price, including relevant escalators, if applicable, over the term of the  
9 guaranteed energy production contract.

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

14 K. For the purposes of this section:

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

18 2. "Construction" means the process of building, altering,  
19 repairing, improving or demolishing any school district structure or  
20 building, or other public improvements of any kind to any school district  
21 real property. Construction does not include the routine operation,  
22 routine repair or routine maintenance of existing structures, buildings or  
23 real property.

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

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

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

34 6. "Guaranteed energy production" means the amount of energy,  
35 measured in kilowatt hours alternating current, that the qualified  
36 provider guarantees for each year of the guaranteed energy production  
37 contract.

38 7. "Guaranteed energy production contract" means a contract for  
39 implementing one or more energy production measures between one or more  
40 qualified providers and a school district.

41 8. "Guaranteed energy production shortfall" means the amount, if  
42 any, that the actual energy production is less than the guaranteed energy  
43 production in any given year.

44 9. "Qualified provider" means a person or a business that is  
45 experienced in designing, implementing or installing energy cost savings



1 measures, that has demonstrated technical, operational, financial and  
2 managerial capabilities to design and operate cost savings measures and  
3 projects and that has the financial ability to satisfy guarantees for  
4 guaranteed energy production, financial solvency and experience for  
5 projects of similar size and scope.

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

8 15-341. General powers and duties; immunity; delegation

9 A. The governing board shall:

10 1. Prescribe and enforce policies and procedures ~~for the governance~~  
11 ~~of~~ TO GOVERN the schools that are not inconsistent with law or rules  
12 prescribed by the state board of education.

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

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

23 4. Acquire school furniture, apparatus, equipment, library books  
24 and supplies for ~~the use of the~~ schools TO USE.

25 5. Prescribe the curricula and criteria for ~~the promotion~~ PROMOTING  
26 and ~~graduation of~~ GRADUATING pupils as provided in sections 15-701 and  
27 15-701.01.

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

30 7. Construct school buildings on approval by a vote of the district  
31 electors.

32 8. ~~Make~~ In the name of the district, ~~conveyances of~~ CONVEY property  
33 belonging to the district and sold by the board.

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

41 10. Construct, improve and furnish buildings used for school  
42 purposes when such buildings or premises are leased from the national park  
43 service.

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

4           12. Hold pupils to strict account for disorderly conduct on school  
5 property.

6           13. Discipline students for disorderly conduct on the way to and  
7 from school.

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

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

24           16. Provide for adequate supervision over pupils in instructional  
25 and noninstructional activities by certificated or noncertificated  
26 personnel.

27           17. Use school monies received from the state and county school  
28 apportionment exclusively ~~for payment of~~ TO PAY salaries of teachers and  
29 other employees and contingent expenses of the district.

30           18. ~~Make an annual~~ ANNUALLY report to the county school  
31 superintendent on or before October 1 in the manner and form and on the  
32 blanks prescribed by the superintendent of public instruction or county  
33 school superintendent. The board shall also make reports directly to the  
34 county school superintendent or the superintendent of public instruction  
35 whenever required.

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

42           20. Establish bank accounts in which the board during a month may  
43 deposit miscellaneous monies received directly by the district. The board  
44 shall remit monies deposited in the bank accounts at least monthly to the

1 county treasurer for deposit as provided in paragraph 19 of this  
2 subsection and in accordance with the uniform system of financial records.

3 21. Prescribe and enforce policies and procedures for disciplinary  
4 action against a teacher who engages in conduct that is a violation of the  
5 policies of the governing board but that is not cause for dismissal of the  
6 teacher or for revocation of the certificate of the teacher. Disciplinary  
7 action may include suspension without pay for a period of time not to  
8 exceed ten school days. Disciplinary action shall not include suspension  
9 with pay or suspension without pay for a period of time longer than ten  
10 school days. The procedures shall include notice, hearing and appeal  
11 provisions for violations that are cause for disciplinary action. The  
12 governing board may designate a person or persons to act on behalf of the  
13 board on these matters.

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

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

34 24. Prescribe and enforce policies and procedures relating to the  
35 health and safety of all pupils participating in district-sponsored  
36 practice sessions or games or other interscholastic athletic activities,  
37 including:

38 (a) The provision of water.

39 (b) Guidelines, information and forms, developed in consultation  
40 with a statewide private entity that supervises interscholastic  
41 activities, to inform and educate coaches, pupils and parents of the  
42 dangers of concussions and head injuries and the risks of continued  
43 participation in athletic activity after a concussion. The policies and  
44 procedures shall require that, before a pupil participates in an athletic  
45 activity, the pupil and the pupil's parent must sign an information form

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

42 (c) Guidelines, information and forms that are developed in  
43 consultation with a statewide private entity that supervises  
44 interscholastic activities to inform and educate coaches, pupils and  
45 parents of the dangers of heat-related illnesses, sudden cardiac death and

1 prescription opioid use. Before a pupil participates in any  
2 district-sponsored practice session or game or other interscholastic  
3 athletic activity, the pupil and the pupil's parent must be provided with  
4 information at least once each school year on the risks of heat-related  
5 illnesses, sudden cardiac death and prescription opioid addiction.

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

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

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

13 28. Ensure that insurance coverage is secured for all construction  
14 projects for purposes of general liability, property damage and workers'  
15 compensation and secure performance and payment bonds for all construction  
16 projects.

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

27 30. Report to local law enforcement agencies any suspected crime  
28 against a person or property that is a serious offense as defined in  
29 section 13-706 or that involves a deadly weapon or dangerous instrument or  
30 serious physical injury and any conduct that poses a threat of death or  
31 serious physical injury to employees, students or anyone on the property  
32 of the school. This paragraph does not limit or preclude the reporting by  
33 a school district or an employee of a school district of suspected crimes  
34 other than those required to be reported by this paragraph. For the  
35 purposes of this paragraph, "dangerous instrument", "deadly weapon" and  
36 "serious physical injury" have the same meanings prescribed in section  
37 13-105.

38 31. In conjunction with local law enforcement agencies and  
39 emergency response agencies, develop an emergency response plan for each  
40 school in the school district in accordance with minimum standards  
41 developed jointly by the department of education and the division of  
42 emergency management within the department of emergency and military  
43 affairs.

44 32. Provide written notice to the parents or guardians of all  
45 students enrolled in the school district at least ten days before a public

1 meeting to discuss closing a school within the school district. The  
2 notice shall include the reasons for the proposed closure and the time and  
3 place of the meeting. The governing board shall fix a time for a public  
4 meeting on the proposed closure not less than ten days before voting in a  
5 public meeting to close the school. The school district governing board  
6 shall give notice of the time and place of the meeting. At the time and  
7 place designated in the notice, the school district governing board shall  
8 hear reasons for or against closing the school. The school district  
9 governing board is exempt from this paragraph if the governing board  
10 determines that the school shall be closed because it poses a danger to  
11 the health or safety of the pupils or employees of the school. A  
12 governing board may consult with the ~~board~~ **DIVISION OF** school facilities ~~board~~  
13 **WITHIN THE DEPARTMENT OF ADMINISTRATION** for technical assistance and for  
14 information on the impact of closing a school. The information provided  
15 from the ~~board~~ **DIVISION OF** school facilities ~~board~~ **WITHIN THE DEPARTMENT OF**  
16 **ADMINISTRATION** shall not require the governing board to take or not take  
17 any action.

18 33. Incorporate instruction on Native American history into  
19 appropriate existing curricula.

20 34. Prescribe and enforce policies and procedures:

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

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

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

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

8 36. Prescribe and enforce policies and procedures to prohibit  
9 pupils from harassing, intimidating and bullying other pupils on school  
10 grounds, on school property, on school buses, at school bus stops, at  
11 school-sponsored events and activities and through the use of electronic  
12 technology or electronic communication on school computers, networks,  
13 forums and mailing lists that include the following components:

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

19 (b) A requirement that school district employees report in writing  
20 suspected incidents of harassment, intimidation or bullying to the  
21 appropriate school official and a description of appropriate disciplinary  
22 procedures for employees who fail to report suspected incidents that are  
23 known to the employee.

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

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

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

43 (f) A formal process for the investigation by the appropriate  
44 school officials of suspected incidents of harassment, intimidation or  
45 bullying, including procedures for notifying the alleged victim and the

1 alleged victim's parent or guardian when a school official or employee  
2 becomes aware of the suspected incident of harassment, intimidation or  
3 bullying.

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

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

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

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

13 37. Prescribe and enforce policies and procedures regarding  
14 changing or adopting attendance boundaries that include the following  
15 components:

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

18 (b) A procedure to notify the parents or guardians of the students  
19 affected.

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

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

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

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

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

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

41 39. Ensure that the contract for the superintendent is structured  
42 in a manner in which up to twenty percent of the total annual salary  
43 included for the superintendent in the contract is classified as  
44 performance pay. This paragraph does not require school districts to  
45 increase total compensation for superintendents. Unless the school



1 district governing board votes to implement an alternative procedure at a  
2 public meeting called for this purpose, the performance pay portion of the  
3 superintendent's total annual compensation shall be determined as follows:

4 (a) Twenty-five percent of the performance pay shall be determined  
5 based on the percentage of academic gain determined by the department of  
6 education of pupils who are enrolled in the school district compared to  
7 the academic gain achieved by the highest ranking of the fifty largest  
8 school districts in this state. For the purposes of this subdivision, the  
9 department of education shall determine academic gain by the academic  
10 growth achieved by each pupil who has been enrolled at the same school in  
11 a school district for at least five consecutive months measured against  
12 that pupil's academic results in the 2008-2009 school year. For the  
13 purposes of this subdivision, of the fifty largest school districts in  
14 this state, the school district with pupils who demonstrate the highest  
15 statewide percentage of overall academic gain measured against academic  
16 results for the 2008-2009 school year shall be assigned a score of 100 and  
17 the school district with pupils who demonstrate the lowest statewide  
18 percentage of overall academic gain measured against academic results for  
19 the 2008-2009 school year shall be assigned a score of 0.

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

- 31 (i) A letter grade of "A" if the school district is excellent.
- 32 (ii) A letter grade of "B" if the school district is above average.
- 33 (iii) A letter grade of "C" if the school district is average.
- 34 (iv) A letter grade of "D" if the school district is below average.
- 35 (v) A letter grade of "F" if the school district is a failure.

36 (c) Twenty-five percent of the performance pay shall be determined  
37 by the percentage of teachers who are employed at the school district and  
38 who assign a letter grade of "A" to the school on a survey of teacher  
39 satisfaction with the school. The teacher satisfaction survey shall be  
40 administered and scored by an independent entity that is selected by the  
41 governing board and that demonstrates sufficient expertise and experience  
42 to accurately measure the results of the survey. The teacher satisfaction  
43 survey shall use standard random sampling procedures and provide anonymity  
44 and confidentiality to each teacher who participates in the survey. The

1 letter grade scale used on the teacher satisfaction survey shall direct  
2 teachers to assign one of the following letter grades:

3 (i) A letter grade of "A" if the school district is excellent.

4 (ii) A letter grade of "B" if the school district is above average.

5 (iii) A letter grade of "C" if the school district is average.

6 (iv) A letter grade of "D" if the school district is below average.

7 (v) A letter grade of "F" if the school district is a failure.

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

10 40. Maintain and store permanent public records of the school  
11 district as required by law. Notwithstanding section 39-101, the  
12 standards adopted by the Arizona state library, archives and public  
13 records for the maintenance and storage of school district public records  
14 shall allow school districts to elect to satisfy the requirements of this  
15 paragraph by maintaining and storing these records either on paper or in  
16 an electronic format, or a combination of a paper and electronic format.

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

21 (a) Are designed to improve principal performance and improve  
22 student achievement.

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

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

28 (d) Describe both of the following:

29 (i) The methods used to evaluate the performance of principals,  
30 including the data used to measure student performance and job  
31 effectiveness.

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

33 42. Prescribe and enforce policies and procedures that define the  
34 duties of principals and teachers. These policies and procedures shall  
35 authorize teachers to take and maintain daily classroom attendance, make  
36 the decision to promote or retain a pupil in a grade in common school or  
37 to pass or fail a pupil in a course in high school, subject to review by  
38 the governing board in the manner provided in section 15-342,  
39 paragraph 11.

40 43. Prescribe and enforce policies and procedures for the emergency  
41 administration by an employee of a school district pursuant to section  
42 36-2267 of naloxone hydrochloride or any other opioid antagonist approved  
43 by the United States food and drug administration.

44 44. In addition to the notification requirements prescribed in  
45 paragraph 36 of this subsection, prescribe and enforce reasonable and

1 appropriate policies to notify a pupil's parent or guardian if any person  
2 engages in harassing, threatening or intimidating conduct against that  
3 pupil. A school district and its officials and employees are immune from  
4 civil liability with respect to all decisions made and actions taken that  
5 are based on good faith implementation of the requirements of this  
6 paragraph, except in cases of gross negligence or wanton or wilful  
7 neglect. A person engages in threatening or intimidating if the person  
8 threatens or intimidates by word or conduct to cause physical injury to  
9 another person or serious damage to the property of another on school  
10 grounds. A person engages in harassment if, with intent to harass or with  
11 knowledge that the person is harassing another person, the person  
12 anonymously or otherwise contacts, communicates or causes a communication  
13 with another person by verbal, electronic, mechanical, telephonic or  
14 written means in a manner that harasses on school grounds or substantially  
15 disrupts the school environment.

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

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

26 1. Is not abated, extinguished, discharged or merged in the title  
27 to the property.

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

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

40 E. A school district, its governing board members, its school  
41 council members and its employees are immune from civil liability for the  
42 consequences of adoption and implementation of policies and procedures  
43 pursuant to subsection A of this section and section 15-342. This waiver  
44 does not apply if the school district, its governing board members, its

1 school council members or its employees are guilty of gross negligence or  
2 intentional misconduct.

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

6 G. Notwithstanding any other provision of this title, a school  
7 district governing board shall not take any action that would result in a  
8 reduction of pupil square footage unless the governing board notifies the  
9 ~~DIVISION OF school facilities board established by section 15-2001~~ WITHIN  
10 THE DEPARTMENT OF ADMINISTRATION of the proposed action and receives  
11 written approval from the DIVISION OF school facilities board to take the  
12 action. A reduction includes an increase in administrative space that  
13 results in a reduction of pupil square footage or sale of school sites or  
14 buildings, or both. A reduction includes a reconfiguration of grades that  
15 results in a reduction of pupil square footage of any grade level. This  
16 subsection does not apply to temporary reconfiguration of grades to  
17 accommodate new school construction if the temporary reconfiguration does  
18 not exceed one year. The sale of equipment that results in a reduction  
19 that falls below the equipment requirements prescribed in section ~~15-2011~~  
20 41-5711, subsection B is subject to commensurate withholding of school  
21 district district additional assistance monies pursuant to the direction  
22 of the DIVISION OF school facilities board. Except as provided in section  
23 15-342, paragraph 10, proceeds from the sale of school sites, buildings or  
24 other equipment shall be deposited in the school plant fund as provided in  
25 section 15-1102.

26 H. Subsections C through G of this section apply to a county board  
27 of supervisors and a county school superintendent when operating and  
28 administering an accommodation school.

29 I. A school district governing board may delegate authority in  
30 writing to the superintendent of the school district to submit plans for  
31 new school facilities to the DIVISION OF school facilities board for the  
32 purpose of certifying that the plans meet the minimum school facility  
33 adequacy guidelines prescribed in section ~~15-2011~~ 41-5711.

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

36 15-342. Discretionary powers

37 The governing board may:

- 38 1. Expel pupils for misconduct.
- 39 2. Exclude from grades one through eight children under six years  
40 of age.
- 41 3. Make such separation of groups of pupils as it deems advisable.
- 42 4. Maintain such special schools during vacation as deemed  
43 necessary for the benefit of the pupils of the school district.
- 44 5. ~~Permit~~ ALLOW a superintendent or principal or representatives of  
45 the superintendent or principal to travel for a school purpose, as

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

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

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

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

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

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

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

40 (b) The buildings and sites are completely funded with monies  
41 distributed by THE SCHOOL FACILITIES DIVISION WITHIN THE DEPARTMENT OF  
42 ADMINISTRATION ~~the school facilities board~~.

1 (c) The transaction involves the sale of improved or unimproved  
2 property pursuant to an agreement with the DIVISION OF school facilities  
3 ~~board~~ WITHIN THE DEPARTMENT OF ADMINISTRATION in which the school district  
4 agrees to sell the improved or unimproved property and transfer the  
5 proceeds of the sale to the DIVISION OF school facilities ~~board~~ in  
6 exchange for monies from the DIVISION OF school facilities ~~board~~ for the  
7 acquisition of a more suitable school site. For a sale of property  
8 acquired by a school district ~~prior to~~ BEFORE July 9, 1998, a school  
9 district shall transfer to the DIVISION OF school facilities ~~board~~ that  
10 portion of the proceeds that equals the cost of the acquisition of a more  
11 suitable school site. If there are any remaining proceeds after the  
12 transfer of monies to the DIVISION OF school facilities ~~board~~, a school  
13 district shall only use those remaining proceeds for future land purchases  
14 approved by the DIVISION OF school facilities ~~board~~, or for capital  
15 improvements not funded by the DIVISION OF school facilities ~~board~~ for any  
16 existing or future facility.

17 (d) The transaction involves the sale of improved or unimproved  
18 property pursuant to a formally adopted plan and the school district uses  
19 the proceeds of this sale to purchase other property that will be used for  
20 similar purposes as the property that was originally sold, ~~provided that~~  
21 IF the sale proceeds of the improved or unimproved property are used  
22 within two years after the date of the original sale to purchase the  
23 replacement property. If the sale proceeds of the improved or unimproved  
24 property are not used within two years after the date of the original sale  
25 to purchase replacement property, the sale proceeds shall be used ~~towards~~  
26 ~~payment of~~ TOWARD PAYING any outstanding bonded indebtedness. If any sale  
27 proceeds remain after paying for outstanding bonded indebtedness, or if  
28 the district has no outstanding bonded indebtedness, sale proceeds shall  
29 be used to reduce the district's primary tax levy. A school district  
30 shall not use this subdivision unless all of the following conditions  
31 exist:

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

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

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

39 11. Review the decision of a teacher to promote a pupil to a grade  
40 or retain a pupil in a grade in a common school or to pass or fail a pupil  
41 in a course in high school. The pupil has the burden of proof to overturn  
42 the decision of a teacher to promote, retain, pass or fail the pupil. In  
43 order to sustain the burden of proof, the pupil shall demonstrate to the  
44 governing board that the pupil has mastered the academic standards adopted  
45 by the state board of education pursuant to sections 15-701 and 15-701.01.

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

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

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

28 14. Include in the curricula it prescribes for high schools in the  
29 school district career and technical education, vocational education and  
30 technology education programs and career and technical, vocational and  
31 technology program improvement services for the high schools, subject to  
32 approval by the state board of education. The governing board may  
33 contract for the provision of career and technical, vocational and  
34 technology education as provided in section 15-789.

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

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

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

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

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

4 18. Donate surplus or outdated learning materials, educational  
5 equipment and furnishings to nonprofit community organizations ~~where~~ IF  
6 the governing board determines that the anticipated cost of selling the  
7 learning materials, educational equipment or furnishings equals or exceeds  
8 the estimated market value of the materials.

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

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

18 21. Require a period of silence to be observed at the commencement  
19 of the first class of the day in the schools. If a governing board  
20 chooses to require a period of silence to be observed, the teacher in  
21 charge of the room in which the first class is held shall announce that a  
22 period of silence not to exceed one minute in duration will be observed  
23 for meditation, and during that time no activities shall take place and  
24 silence shall be maintained.

25 22. Require students to wear uniforms.

26 23. Exchange unimproved property or improved property, including  
27 school sites, ~~where~~ IF the governing board determines that the improved  
28 property is unnecessary for the continued operation of the school district  
29 without requesting authorization by a vote of the school district electors  
30 AND if the governing board determines that the exchange is necessary to  
31 protect the health, safety or welfare of pupils or ~~when~~ IF the governing  
32 board determines that the exchange is based on sound business principles  
33 for either:

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

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

38 24. For common and high school pupils, assess reasonable fees for  
39 optional extracurricular activities and programs conducted when the common  
40 or high school is not in session, except that ~~no~~ fees shall NOT be charged  
41 for pupils' access to or use of computers or related materials. For high  
42 school pupils, the governing board may assess reasonable fees for fine  
43 arts and vocational education courses and for optional services, equipment  
44 and materials offered to the pupils beyond those required to successfully  
45 complete the basic requirements of any other course, except that ~~no~~ fees



1 shall NOT be charged for pupils' access to or use of computers or related  
2 materials. Fees assessed pursuant to this paragraph shall be adopted at a  
3 public meeting after notice has been given to all parents of pupils  
4 enrolled at schools in the district and shall not exceed the actual costs  
5 of the activities, programs, services, equipment or materials. The  
6 governing board shall authorize principals to waive the assessment of all  
7 or part of a fee assessed pursuant to this paragraph if it creates an  
8 economic hardship for a pupil. For the purposes of this paragraph,  
9 "extracurricular activity" means any optional, noncredit, educational or  
10 recreational activity that supplements the education program of the  
11 school, whether offered before, during or after regular school hours.

12 25. Notwithstanding section 15-341, subsection A, paragraphs 7 and  
13 9, construct school buildings and purchase or lease school sites, without  
14 a vote of the school district electors, if the buildings and sites are  
15 totally funded from one or more of the following:

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

19 (b) Monies distributed from ~~the school facilities board established~~  
20 ~~by section 15-2001~~ THE SCHOOL FACILITIES DIVISION WITHIN THE DEPARTMENT OF  
21 ADMINISTRATION PURSUANT TO TITLE 41, CHAPTER 56.

22 (c) Monies specifically donated for the purpose of constructing  
23 school buildings.

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

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

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

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

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

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

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

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

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

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

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

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

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

34 30. Notwithstanding section 15-1143, ~~expend~~ SPEND surplus monies in  
35 the community school program fund for maintenance and operations or  
36 unrestricted capital outlay, if sufficient monies are available in the  
37 fund after meeting the needs of programs established pursuant to section  
38 15-1142.

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

42 32. Adopt policies that require parental notification when a law  
43 enforcement officer interviews a pupil on school grounds. Policies  
44 adopted pursuant to this paragraph shall not impede a peace officer from  
45 ~~the performance of~~ PERFORMING the peace officer's duties. If the school

1 district governing board adopts a policy that requires parental  
2 notification:

3 (a) The policy may provide reasonable exceptions to the parental  
4 notification requirement.

5 (b) The policy shall set forth whether and under what circumstances  
6 a parent may be present when a law enforcement officer interviews the  
7 pupil, including reasonable exceptions to the circumstances under which a  
8 parent may be present when a law enforcement officer interviews the pupil,  
9 and shall specify a reasonable maximum time after a parent is notified  
10 that an interview of a pupil by a law enforcement officer may be delayed  
11 to allow the parent to be present.

12 33. Enter into voluntary partnerships with any party to finance  
13 with ~~funds~~ MONIES other than school district ~~funds~~ MONIES and  
14 cooperatively design school facilities that comply with the adequacy  
15 standards prescribed in section ~~15-2011~~ 41-5711 and the square footage per  
16 pupil requirements pursuant to section ~~15-2041~~ 41-5741, subsection D,  
17 paragraph 3, subdivision (b). The design plans and location of any such  
18 school facility shall be submitted to the DIVISION OF school facilities  
19 ~~board~~ WITHIN THE DEPARTMENT OF ADMINISTRATION for approval pursuant to  
20 section ~~15-2041~~ 41-5741, subsection 0. If the DIVISION OF school  
21 facilities ~~board~~ approves the design plans and location of any such school  
22 facility, the party in partnership with the school district may cause to  
23 be constructed and the district may begin operating the school facility  
24 before monies are distributed from the DIVISION OF school facilities ~~board~~  
25 pursuant to section ~~15-2041~~ 41-5741. Monies distributed from the new  
26 school facilities fund to a school district in a partnership with another  
27 party to finance and design the school facility shall be paid to the  
28 school district pursuant to section ~~15-2041~~ 41-5741. The school district  
29 shall reimburse the party in partnership with the school district from the  
30 monies paid to the school district pursuant to section ~~15-2041~~ 41-5741, in  
31 accordance with the voluntary partnership agreement. Before the DIVISION  
32 OF school facilities ~~board~~ distributes any monies pursuant to this  
33 subsection, the school district shall demonstrate to the DIVISION OF  
34 school facilities ~~board~~ that the facilities to be funded pursuant to  
35 section ~~15-2041~~ 41-5741, subsection 0 meet the minimum adequacy standards  
36 prescribed in section ~~15-2011~~ 41-5711. If the cost to construct the  
37 school facility exceeds the amount that the school district receives from  
38 the new school facilities fund, the partnership agreement between the  
39 school district and the other party shall specify that, except as  
40 otherwise provided by the other party, any such excess costs shall be the  
41 responsibility of the school district. The school district governing  
42 board shall adopt a resolution in a public meeting that an analysis has  
43 been conducted on the prospective effects of the decision to operate a new  
44 school with existing monies from the school district's maintenance and  
45 operations budget and how this decision may affect other schools in the

1 school district. If a school district acquires land by donation at an  
2 appropriate school site approved by the DIVISION OF school facilities  
3 ~~board~~ and a school facility is financed and built on the land pursuant to  
4 this paragraph, the DIVISION OF school facilities ~~board~~ shall distribute  
5 an amount equal to twenty percent of the fair market value of the land  
6 that can be used for academic purposes. The school district shall place  
7 the monies in the unrestricted capital outlay fund and increase the  
8 unrestricted capital budget limit by the amount of the monies placed in  
9 the fund. Monies distributed under this paragraph shall be distributed  
10 from the new school facilities fund pursuant to section ~~15-2041~~  
11 ~~41-5741~~. If a school district acquires land by donation at an appropriate  
12 school site approved by the DIVISION OF school facilities ~~board~~ and a  
13 school facility is financed and built on the land pursuant to this  
14 paragraph, the school district shall not receive monies ~~from the school~~  
15 ~~facilities board~~ for the donation of real property pursuant to section  
16 ~~15-2041~~ 41-5741, subsection F. It is unlawful for:

17 (a) A county, city or town to require as a condition of any land  
18 use approval that a landowner or landowners that entered into a  
19 partnership pursuant to this paragraph provide any contribution, donation  
20 or gift, other than a site donation, to a school district. This  
21 subdivision only applies to the property in the voluntary partnership  
22 agreement pursuant to this paragraph.

23 (b) A county, city or town to require as a condition of any land  
24 use approval that the landowner or landowners located within the  
25 geographic boundaries of the school subject to the voluntary partnership  
26 pursuant to this paragraph provide any donation or gift to the school  
27 district except as provided in the voluntary partnership agreement  
28 pursuant to this paragraph.

29 (c) A community facilities district established pursuant to title  
30 48, chapter 4, article 6 to be used for reimbursement of financing the  
31 construction of a school pursuant to this paragraph.

32 (d) A school district to enter into an agreement pursuant to this  
33 paragraph with any party other than a master planned community party. Any  
34 land area consisting of at least three hundred twenty acres that is the  
35 subject of a development agreement with a county, city or town entered  
36 into pursuant to section 9-500.05 or 11-1101 shall be deemed to be a  
37 master planned community. For the purposes of this subdivision, "master  
38 planned community" means a land area consisting of at least three hundred  
39 twenty acres, which may be noncontiguous, that is the subject of a zoning  
40 ordinance approved by the governing body of the county, city or town in  
41 which the land is located that establishes the use of the land area as a  
42 planned area development or district, planned community development or  
43 district, planned unit development or district or other land use category  
44 or district that is recognized in the local ordinance of such county, city

1 or town and that specifies the use of such land is for a master planned  
2 development.

3 34. Enter into an intergovernmental agreement with a presiding  
4 judge of the juvenile court to implement a law-related education program  
5 as defined in section 15-154. The presiding judge of the juvenile court  
6 may assign juvenile probation officers to participate in a law-related  
7 education program in any school district in the county. The cost of  
8 juvenile probation officers who participate in the program implemented  
9 pursuant to this paragraph shall be funded by the school district.

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

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

18 37. Prescribe and enforce policies and procedures for the emergency  
19 administration of inhalers by trained employees of the school district and  
20 nurses who are under contract with the school district pursuant to section  
21 15-158.

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

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

26 15-481. Override election; budget increases; informational  
27 pamphlet; notice; ballot; effect

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

1 disapprove the proposed budget, the governing board shall follow the  
2 procedures prescribed in section 15-905 for adopting a budget that does  
3 not include the proposed increase or the portion of the proposed increase  
4 that exceeds the amount authorized by a previously approved budget  
5 increase as prescribed in subsection P of this section.

6 B. The county school superintendent shall prepare an informational  
7 pamphlet on the proposed increase in the budget and a sample ballot and,  
8 at least forty days ~~prior to~~ BEFORE the election, shall transmit the  
9 informational pamphlet and the sample ballot to the governing board of the  
10 school district. The governing board, on receipt of the informational  
11 pamphlet and the ballot, shall mail or distribute the informational  
12 pamphlet and the ballot to the households in which qualified electors  
13 reside within the school district at least thirty-five days ~~prior to~~  
14 BEFORE the election. Any distribution of material concerning the proposed  
15 increase in the budget shall not be conducted by children enrolled in the  
16 school district. The informational pamphlet shall contain the following  
17 information:

18 1. The date of the election.

19 2. The voter's polling place and the times it is open.

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

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

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

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

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

37 8. The dollar amount and the purpose for which the proposed  
38 increase in the budget is to be expended for the first year for which the  
39 budget increase was adopted. The purpose statement shall only present  
40 factual information in a neutral manner. Advocacy for the expenditures is  
41 strictly limited to the arguments submitted pursuant to paragraph 9 of  
42 this subsection.

43 9. At least two arguments, if submitted, but ~~no~~ NOT more than ten  
44 arguments for and two arguments, if submitted, but ~~no~~ NOT more than ten  
45 arguments against the proposed increase in the budget. The arguments

1 shall be in a form prescribed by the county school superintendent, and  
2 each argument shall not exceed two hundred words. Arguments for the  
3 proposed increase in the budget shall be provided in writing and signed by  
4 the governing board. The ballot arguments for the proposed increase in  
5 the budget shall be signed as the governing board of the school district  
6 without listing any member's individual name for the arguments for the  
7 proposed increase. If submitted, additional arguments in favor of the  
8 proposed increase in the budget shall be provided in writing and signed by  
9 those in favor. Arguments against the proposed increase in the budget  
10 shall be provided in writing and signed by those in opposition. The names  
11 of persons and entities submitting written arguments shall be included in  
12 the informational pamphlet. The county school superintendent shall review  
13 all factual statements contained in the written arguments and correct any  
14 inaccurate statements of fact. The superintendent shall not review and  
15 correct any portion of the written arguments that are identified as  
16 statements of the author's opinion. The county school superintendent  
17 shall make the written arguments available to the public as provided in  
18 title 39, chapter 1, article 2. A deadline for submitting arguments to be  
19 included in the informational pamphlet shall be set by the county school  
20 superintendent.

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

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

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

33 (b) An owner-occupied residence whose assessed valuation is  
34 one-half of the assessed valuation of the residence in subdivision (a) of  
35 this paragraph.

36 (c) An owner-occupied residence whose assessed valuation is twice  
37 the assessed valuation of the residence in subdivision (a) of this  
38 paragraph.

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

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



1 (a) An executive summary of the school district's most recent  
2 capital improvement plan submitted to the DIVISION OF school facilities  
3 ~~board~~ WITHIN THE DEPARTMENT OF ADMINISTRATION.

4 (b) A complete list of each proposed capital improvement that will  
5 be funded with the budget increase and a description of the proposed cost  
6 of each improvement, including a separate aggregation of capital  
7 improvements for administrative purposes as defined by the DIVISION OF  
8 school facilities ~~board~~.

9 (c) The tax rate associated with each of the proposed capital  
10 improvements and the estimated cost of each capital improvement for the  
11 owner of a single family home that is valued at ~~eighty thousand dollars~~  
12 \$80,000.

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

24 D. If any amount of the proposed increase will be funded by a levy  
25 of taxes in the district, the election prescribed in subsection A of this  
26 section shall be held on the first Tuesday following the first Monday in  
27 November as prescribed by section 16-204, subsection F. If the proposed  
28 increase will be fully funded by revenues from other than a levy of taxes,  
29 the elections prescribed in subsection A of this section shall be held on  
30 any date prescribed by section 16-204. The elections shall be conducted  
31 as nearly as practicable in the manner prescribed in article 1 of this  
32 chapter, sections 15-422 through 15-424 and section 15-426, relating to  
33 special elections, except that:

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

36 2. Ballots shall be counted pursuant to title 16, chapter 4,  
37 article 10.

38 E. If the election is to exceed the revenue control limit and if  
39 the proposed increase will be fully funded by a levy of taxes on the  
40 taxable property within the school district, the ballot shall contain the  
41 words "budget increase, yes" and "budget increase, no", and the voter  
42 shall signify the voter's desired choice. The ballot shall also contain  
43 the amount of the proposed increase of the proposed budget over the  
44 alternate budget, a statement that the amount of the proposed increase  
45 will be based on a percentage of the school district's revenue control



1 limit in future years, if applicable, as provided in subsection P of this  
2 section and the following statement:

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

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

23 1. The amount of the proposed increase of the proposed budget over  
24 the alternate budget.

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

28 3. The following statement:

29 Any budget increase authorized by this election shall be  
30 entirely funded by this school district with revenues from  
31 other than a levy of taxes on the taxable property within the  
32 school district for the year for which adopted and for \_\_\_\_  
33 subsequent years and shall not be realized from monies  
34 furnished by the state.

35 G. Except as provided in subsection H of this section, the maximum  
36 budget increase that may be requested and authorized as provided in  
37 subsection E or F of this section or the combination of subsections E and  
38 F of this section is fifteen percent of the revenue control limit as  
39 provided in section 15-947, subsection A for the budget year. If a school  
40 district requests an override pursuant to section 15-482 or to continue  
41 with a budget override pursuant to section 15-482 for pupils in  
42 kindergarten programs and grades one through three that was authorized  
43 before December 31, 2008, the maximum budget increase that may be  
44 requested and authorized as provided in subsection E or F of this section  
45 or the combination of subsections E and F of this section is ten percent

1 of the revenue control limit as provided in section 15-947, subsection A  
 2 for the budget year.

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

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

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

15 (i)

16	Small School	Support Level Weight		Phase Down
17	Student	for Small Isolated		Reduction
18	<u>Count</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
19	- <u>125</u>	x 1.358 + (0.0005 x	x \$ _____	= \$ _____
20		(500 - Student Count))		
21			Small Isolated	
22	Phase Down	Phase Down	School District	
23	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
24	\$150,000 -	\$ _____	=	\$ _____

25 (ii)

26	Small School	Support Level Weight		Phase Down
27	Student	for Small		Reduction
28	<u>Count</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
29	- <u>125</u>	x 1.278 + (0.0003 x	x \$ _____	= \$ _____
30		(500 - Student Count))		
31			Small	
32	Phase Down	Phase Down	School District	
33	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
34	\$150,000 -	\$ _____	=	\$ _____

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

39 (i)

40	Small School	Support Level Weight		Phase Down
41	Student	for Small Isolated		Reduction
42	<u>Count</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
43	- <u>100</u>	x 1.468 + (0.0005 x	x \$ _____	= \$ _____
44		(500 - Student Count))		

$$\begin{array}{r}
 1 \\
 2 \quad \text{Phase Down} \quad \text{Phase Down} \quad \text{Small Isolated} \\
 3 \quad \text{Base} \quad \text{Reduction Factor} \quad \text{District} \\
 4 \quad \$350,000 \quad - \quad \$ \quad = \quad \$ \\
 5 \quad (ii) \\
 6 \quad \text{Small School} \quad \text{Support Level Weight} \quad \text{Phase Down} \\
 7 \quad \text{Student} \quad \text{Student} \quad \text{for Small} \quad \text{Reduction} \\
 8 \quad \text{Count} \quad \text{Count Limit} \quad \text{School Districts} \quad \text{Base Level} \quad \text{Factor} \\
 9 \quad \text{---} \quad - \quad \text{100} \quad \times \quad 1.398 + (0.0004 \times \quad \times \quad \$ \quad = \quad \$ \\
 10 \quad \quad \quad \quad \quad \quad \quad \quad (500 - \text{Student Count})) \\
 11 \\
 12 \quad \text{Phase Down} \quad \text{Phase Down} \quad \text{Small} \\
 13 \quad \text{Base} \quad \text{Reduction Factor} \quad \text{School District} \\
 14 \quad \$350,000 \quad - \quad \$ \quad = \quad \$ \\
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 \end{array}$$

(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  
3 the proposed increase will be based on a percentage of the school  
4 district's revenue control limit in future years, if applicable, as  
5 provided in 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  
14 the proposed increase in the school district's budget that  
15 will be funded by a levy of taxes on the taxable property  
16 within this school district would require an estimated tax  
17 rate of \$ \_\_\_\_\_ ~~dollar~~ per ~~one hundred dollars~~ \$100 of net  
18 assessed valuation used for secondary property tax purposes  
19 and is in addition to the school district's tax rate that will  
20 be levied to fund the school district's revenue control limit  
21 allowed by 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,  
31 if applicable, as provided in subsection Q of this section and the  
32 following statement:

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

39 K. The maximum budget increase that may be requested and authorized  
40 as provided in subsection I or J of this section, or a combination of both  
41 of these subsections, is five percent of the revenue control limit as  
42 provided in section 15-947, subsection A for the budget year. For a  
43 common school district not within a high school district or a common  
44 school district within a high school district that offers instruction in  
45 high school subjects as provided in section 15-447, five percent of the

1 revenue control limit means five percent of the revenue control limit  
2 attributable to the weighted student count in preschool programs for  
3 children with disabilities, kindergarten programs and grades one through  
4 eight as provided in section 15-971, subsection B. For a unified school  
5 district, five percent of the revenue control limit means five percent of  
6 the revenue control limit attributable to the weighted student count in  
7 preschool programs for children with disabilities, kindergarten programs  
8 and grades one through twelve. For a union high school district, five  
9 percent of the revenue control limit means five percent of the revenue  
10 control limit attributable to the weighted student count in grades nine  
11 through twelve.

12 L. If the election is to exceed district additional assistance and  
13 if the proposed increase will be fully funded by a levy of taxes on the  
14 taxable property within the school district, the ballot shall contain the  
15 words "budget increase, yes" and "budget increase, no", and the voter  
16 shall signify the voter's desired choice. An election held pursuant to  
17 this subsection shall be held on the first Tuesday after the first Monday  
18 of November. The ballot shall also contain the amount of the proposed  
19 increase of the proposed budget over the alternate budget and the  
20 following statement:

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

36 M. If the election is to exceed district additional assistance and  
37 if the proposed increase will be fully funded by revenues from other than  
38 a levy of taxes on the taxable property within the school district, the  
39 ballot shall contain the words "budget increase, yes" and "budget  
40 increase, no", and the voter shall signify the voter's desired choice. An  
41 election held pursuant to this subsection shall be held on the first  
42 Tuesday after the first Monday of November. The ballot shall also contain  
43 the amount of the proposed increase of the proposed budget over the  
44 alternate budget and the following statement:

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

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

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

23          P. If the voters in a school district vote to adopt a budget in  
24          excess of the revenue control limit as provided in subsection E or F 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 E of  
31          this section for the period of one year, two years or five through seven  
32          years as authorized. If an additional increase is approved as provided in  
33          subsection F of this section, the school district governing board may only  
34          use revenues derived from the school district's prior year's maintenance  
35          and operation fund ending cash balance to fund the additional  
36          increase. If a budget increase was previously authorized and will be in  
37          effect for the budget year or budget year and subsequent years, as  
38          provided in subsection E or F of this section, the governing board may  
39          request a new budget increase as provided in the same subsection under  
40          which the prior budget increase was adopted, which shall not exceed the  
41          maximum amount ~~permitted~~ ALLOWED under subsection G of this section. If  
42          the voters in the school district authorize the new budget increase  
43          amount, the existing budget increase no longer is in effect. If the  
44          voters in the school district do not authorize the budget increase amount,  
45          the existing budget increase remains in effect for the time period for

1 which it was authorized. The maximum additional increase authorized as  
2 provided in subsection E or F of this section and the additional increase  
3 that is included in the aggregate budget limit is based on a percentage of  
4 a school district's revenue control limit in future years, if the budget  
5 increase is authorized for more than one year. If the additional  
6 increase:

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

9 2. Is for five years or more, the proposed increase is equal to the  
10 initial proposed percentage increase in the following years of the  
11 proposed increase, except that in the next to last year it is two-thirds  
12 of the initial proposed percentage increase and it is one-third of the  
13 initial proposed percentage increase in the last year of the proposed  
14 increase.

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

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

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

7           R. If the voters in a school district vote to adopt a budget in  
8 excess of district additional assistance as provided in subsection L 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, however, may levy on the net assessed  
13 valuation used for secondary property tax purposes of the property in the  
14 school district the additional increase for the period authorized but not  
15 to exceed ten years. For overrides approved by a vote of the qualified  
16 electors of the school district at an election held from and after  
17 October 31, 1998, the period of the additional increase prescribed in this  
18 subsection shall not exceed seven years for any capital override election.

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

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

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

43           V. The governing board may request that any override election be  
44 cancelled if any change in chapter 9 of this title changes the amount of  
45 the aggregate budget limit as provided in section 15-905. The request to



1 cancel the override election shall be made to the county school  
2 superintendent at least eighty days ~~prior to~~ BEFORE the date of the  
3 scheduled override election.

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

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

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

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

17 2. The ballot shall contain the words "budget increase, yes" and  
18 "budget increase, no", and the voter shall signify the voter's desired  
19 choice.

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

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

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

42 1. If the increase is pursuant to subsection L or M of this  
43 section, at a minimum, the update shall include the progress of capital  
44 improvements financed through the override, a comparison of the current  
45 status and the original projections on the construction of capital

1 improvements, the costs of capital improvements and the costs of capital  
2 improvements in progress or completed since the prior meeting and the  
3 future capital plans of the school district. The school district shall  
4 include in the public meeting a discussion of the school district's use of  
5 state capital aid and voter-approved bonding in funding capital  
6 improvements, if any.

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

12 Z. If a budget in excess of district additional assistance was  
13 previously adopted by the voters in a school district and will be in  
14 effect for the budget year or budget year and subsequent years, as  
15 provided in subsection L or M of this section, the governing board may  
16 request an additional budget in excess of district additional assistance.  
17 If the voters in a school district authorize the additional budget in  
18 excess of district additional assistance, the existing district additional  
19 assistance budget increase remains in effect.

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

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

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

1 property tax purposes and is in addition to the school  
2 district's tax rate that will be levied to fund the school  
3 district's revenue control limit allowed by law.

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

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

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

32 15-491. Elections on school property: exceptions

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

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

38 2. To purchase or sell school sites or buildings or sell school  
39 sites pursuant to section 15-342 or to build school buildings, but the  
40 authorization by vote of the school district shall not necessarily specify  
41 the site to be purchased.

42 3. To decide whether the bonds of the school district shall be  
43 issued and sold for the purpose of raising ~~money~~ MONIES for purchasing or  
44 leasing school lots, for building or renovating school buildings, for  
45 supplying school buildings with furniture, equipment and technology, for

1 improving school grounds, for purchasing pupil transportation vehicles or  
2 for liquidating any indebtedness already incurred for such purposes.  
3 Bonds issued for furniture, equipment and technology, other than fixtures,  
4 shall mature ~~no~~ NOT later than the July 1 that follows the fifth year  
5 after the bonds were issued. A school district shall not issue class B  
6 bonds until the school district has obligated in contract the entire  
7 proceeds of any class A bonds issued by the school district. The total  
8 amount of class A and class B bonds issued by a school district shall not  
9 exceed the debt limitations prescribed in article IX, sections 8 and 8.1,  
10 Constitution of Arizona.

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

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

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

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

32 C. When the election is called to determine whether or not bonds of  
33 the school district shall be issued and sold for the purposes enumerated  
34 in the call for the election, the question shall be submitted to the vote  
35 of the qualified electors of the school district as defined in section  
36 15-401 and subject to section 15-402.

37 D. The governing board shall order the election to be held and the  
38 election notice and procedures to be conducted in the manner prescribed in  
39 title 35, chapter 3, article 3. If a petition for an election has been  
40 filed with the governing board as provided in subsection A of this  
41 section, the board shall act on the petition within sixty days by ordering  
42 the election to be held as provided in this subsection. If a school  
43 district bond election is scheduled for the same date a school district  
44 will hold an override election, the governing body shall deliver a copy of  
45 the notice of election and ballot to the county school superintendent who

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

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

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

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

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

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

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

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

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

34 \_\_\_\_\_, a career technical education district, is  
35 proposing to issue class B general obligation bonds totaling  
36 \$\_\_\_\_\_ to fund capital improvements at a campus owned or  
37 operated and maintained by the career technical education  
38 district.

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

41 4. At least eighty-five days before the election, the school  
42 district shall submit proposed ballot language to the county school  
43 superintendent and the director of the Arizona legislative council. The  
44 director of the Arizona legislative council shall review the proposed  
45 ballot language to determine whether the proposed ballot language complies

1 with this section. If the director of the Arizona legislative council  
2 determines that the proposed ballot language does not comply with this  
3 section, the director, within ten calendar days ~~of the receipt of~~ AFTER  
4 RECEIVING the proposed ballot language, shall notify the school district  
5 and the county school superintendent of the director's objections, and the  
6 school district shall resubmit revised ballot language to the director for  
7 approval.

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

14 (a) An executive summary of the school district's most recent  
15 capital plan submitted to the DIVISION OF school facilities ~~board~~ WITHIN  
16 THE DEPARTMENT OF ADMINISTRATION.

17 (b) A complete list of each proposed capital improvement that will  
18 be funded with the proceeds of the bonds and a description of the proposed  
19 cost of each improvement, including a separate aggregation of capital  
20 improvements for administrative purposes as defined by the DIVISION OF  
21 school facilities ~~board~~.

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

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

28 1. The ballot shall include the following statement:

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

32 \_\_\_\_\_ school district is proposing to issue impact  
33 aid revenue bonds totaling \$\_\_\_\_\_ to fund capital  
34 improvements over and above those funded by the state. Under  
35 the students first capital funding system, \_\_\_\_\_ school  
36 district is entitled to state monies for new construction and  
37 renovation of school buildings in accordance with state law.

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

41 3. At least eighty-five days before the election, the school  
42 district shall submit proposed ballot language to the director of the  
43 legislative council. The director of the legislative council shall review  
44 the proposed ballot language to determine whether the proposed ballot  
45 language complies with this section. If the director of the legislative

1 council determines that the proposed ballot language does not comply with  
2 this section, the director, within ten calendar days ~~of the receipt of~~  
3 AFTER RECEIVING the proposed ballot language, shall notify the school  
4 district of the director's objections, and the school district shall  
5 resubmit revised ballot language to the director for approval.

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

12 (a) The date of the election.

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

14 (c) An executive summary of the school district's most recent  
15 capital plan submitted to the DIVISION OF school facilities ~~board~~ WITHIN  
16 THE DEPARTMENT OF ADMINISTRATION.

17 (d) A complete list of each proposed capital improvement that will  
18 be funded with the proceeds of the bonds and a description of the proposed  
19 cost of each improvement, including a separate aggregation of capital  
20 improvements for administrative purposes as defined by the DIVISION OF  
21 school facilities ~~board~~.

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

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

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

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

41 K. Each school district that issues bonds under this section ~~is~~  
42 ~~required to~~ SHALL hold a public meeting each year between September 1 and  
43 October 31, until the bond proceeds are spent, at which an update of the  
44 progress of capital improvements financed through bonding is discussed and  
45 at which the public is ~~permitted~~ ALLOWED an opportunity to comment. At a



1 minimum, the update shall include a comparison of the current status and  
2 the original projections on the construction of capital improvements, the  
3 costs of capital improvements and the costs of capital improvements in  
4 progress or completed since the prior meeting and the future capital  
5 bonding plans of the school district. The school district shall include  
6 in the public meeting a discussion of the school district's use of state  
7 capital aid and voter-approved capital overrides in funding capital  
8 improvements, if any.

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

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

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

20 (a) The date of the election.

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

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

23 (d) A complete list of each proposed capital improvement that is in  
24 addition to the initial capital improvements presented in the  
25 informational pamphlet when the bonds were approved and the proposed cost  
26 of each improvement, including a separate aggregation of capital  
27 improvements for administrative purposes as defined by the **DIVISION OF**  
28 school facilities ~~board~~ **WITHIN THE DEPARTMENT OF ADMINISTRATION**.

29 (e) A complete list of each capital improvement that was presented  
30 in the informational pamphlet when the bonds were initially approved and  
31 that is proposed to be eliminated or to have its cost reduced, and the  
32 proposed cost of each improvement, including a separate aggregation of  
33 capital improvements for administrative purposes as defined by the  
34 **DIVISION OF** school facilities ~~board~~.

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

40 3. The ballot shall contain the words "change capital improvements,  
41 yes" and "change capital improvements, no", and the voter shall signify  
42 the voter's desired choice.

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



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

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

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

11 (a) The date of the election.

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

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

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

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

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

24 15-907. Incurring liabilities in excess of school district  
25 budget; petition; approval; procedure for  
26 expenditures

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

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

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

44 D. If the petition is allowed in whole or in part, the governing  
45 board shall be authorized to incur liabilities in accordance with the

1 petition, and a copy of the order of the board of supervisors authorizing  
2 the incurring of such liabilities shall be filed with the county school  
3 superintendent. The county school superintendent, ~~upon~~ ON presentation of  
4 proper vouchers, shall draw warrants against the additional allowance.  
5 Any liability so incurred shall be in addition to the aggregate budget  
6 estimate of the school district for the succeeding year.

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

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

13 15-964. Federal impact adjustment

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

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

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

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

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

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

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

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

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

40 C. If the governing board underestimated the amount of the federal  
41 impact adjustment for the current year, the board may adjust the  
42 unrestricted capital budget limit and the budget before May 15. If the  
43 board overestimated the amount of the federal impact adjustment for the  
44 current year, the board shall adjust the unrestricted capital budget limit  
45 and the budget before May 15. Not later than May 18, the budget as

1 revised shall be submitted electronically to the superintendent of public  
2 instruction.

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

5 15-995. Special district assessment for adjacent ways by  
6 school district

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

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

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

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

1 for the amount of the assessment against the property and to pay the  
2 amount so contracted for by the levy of a special assessment as provided  
3 by subsection A of this section.

4 C. The governing board of the school district shall follow the  
5 truth in taxation notice and hearing requirements prescribed in section  
6 15-905.01, subsection B.

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

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

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

14 The county treasurer shall:

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

26 2. Pool school district monies for investment except as provided in  
27 sections 15-1024 and 15-1025. Interest earned on the monies pooled for  
28 investment shall be apportioned at least quarterly to the appropriate  
29 school district based on an average monthly balance as prescribed in the  
30 uniform system of accounting for county treasurers as provided in section  
31 41-1279.21.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 **15-1107. Litigation recovery fund; disposition of proceeds**

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

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

35 1. Reimburse the ~~school facilities board~~ building renewal grant  
36 fund established by section ~~15-2032~~ **41-5731** or the emergency deficiencies  
37 correction fund established by section ~~15-2022~~ **41-5721** to the extent that  
38 monies were received ~~by the school district from the school facilities~~  
39 ~~board~~, **FROM THOSE FUNDS** for replacing or repairing school buildings or  
40 other school property that was the subject of the dispute and the monies  
41 recovered by the school district pursuant to subsection A of this section  
42 are designated for the replacement or repair. The school district shall  
43 prioritize the reimbursement ~~of the school facilities board~~ **AS DESCRIBED**  
44 **IN THIS PARAGRAPH**, if applicable.



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

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

9           4. Replace or repair the school property other than school  
10 buildings.

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

16           Sec. 16. Repeal

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

18           Sec. 17. Transfer and renumber

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

<u>Former Sections</u>	<u>New Sections</u>
27           15-2001 .....	41-5701.02
28           15-2002 .....	41-5702
29           15-2004 .....	41-5703
30           15-2005 .....	41-5704
31           15-2006 .....	41-5705

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

<u>Former Section</u>	<u>New Section</u>
34           15-2011 .....	41-5711

35           The following section is transferred and renumbered for placement in  
36 title 41, chapter 56, article 3:

<u>Former Section</u>	<u>New Section</u>
37           15-2022 .....	41-5721

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

<u>Former Section</u>	<u>New Section</u>
40           15-2032 .....	41-5731



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

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

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

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

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

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

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

<u>Former Sections</u>	<u>New Sections</u>
15-2101 .....	41-5801
15-2102 .....	41-5802
15-2103 .....	41-5803

1	15-2104 .....	41-5804
2	15-2105 .....	41-5805
3	15-2106 .....	41-5806
4	15-2107 .....	41-5807
5	15-2108 .....	41-5808
6	15-2109 .....	41-5809
7	15-2110 .....	41-5810
8	15-2111 .....	41-5811
9	15-2112 .....	41-5812
10	15-2113 .....	41-5813
11	15-2114 .....	41-5814
12	15-2115 .....	41-5815

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

15	<u>Former Sections</u>	<u>New Sections</u>
16	15-2131 .....	41-5831
17	15-2132 .....	41-5832

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

20	<u>Former Section</u>	<u>New Section</u>
21	15-2141 .....	41-5841

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

24	<u>Former Sections</u>	<u>New Sections</u>
25	15-2151 .....	41-5851
26	15-2152 .....	41-5852
27	15-2153 .....	41-5853
28	15-2154 .....	41-5854
29	15-2155 .....	41-5855
30	15-2156 .....	41-5856
31	15-2157 .....	41-5857
32	15-2158 .....	41-5858

33 Sec. 18. Section 35-185.01, Arizona Revised Statutes, is amended to  
34 read:

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

37 A. If monies are not available to pay warrants, checks or  
38 substitute checks, or electronic funds transfer vouchers of the department  
39 of administration presented to the state treasurer pursuant to section  
40 35-185, the treasurer, in lieu of payment, shall issue and shall exchange  
41 or sell a treasurer's warrant note or notes in the amount or amounts equal  
42 to the sum of the face value of the warrants, checks or substitute checks,  
43 or electronic funds transfer vouchers presented for payment. Treasurer's  
44 warrant notes shall be issued in lieu of payment of state general fund  
45 warrants, checks or substitute checks, or electronic funds transfer

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

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

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

33 D. The treasurer shall establish a maturity date for each  
34 treasurer's warrant note of not longer than ninety days from the date of  
35 initial issue. The treasurer may specify that treasurer's warrant notes  
36 may be called for redemption at any time before the specified maturity  
37 date.

38 E. The treasurer shall pay interest from the treasurer's warrant  
39 note redemption fund on the face value of each warrant note at the rate  
40 established by the state treasurer at the time of issuing the warrant  
41 note. Interest shall be paid from the date of the treasurer's warrant  
42 note until the maturity date or redemption date. The treasurer shall  
43 establish the interest rate before the exchange or sale of warrant notes  
44 at a rate of not more than the maximum rate permitted by the state loan  
45 commissioners.

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

6 G. Each treasurer's warrant note shall be signed by the treasurer  
7 or the treasurer's designated agent and countersigned by the director of  
8 the department of administration or the director's designated agent. The  
9 required signatures may be electronic signatures. All treasurer's warrant  
10 notes shall be substantially in the following form:

11 Treasurer's warrant note  
12 (20\_\_ to \_\_\_\_ fiscal year)  
13 Number \_\_\_\_\_  
14 Phoenix, Arizona \_\_\_\_\_, 20\_\_  
15 On \_\_\_\_\_, 20\_\_, the treasurer of the state of  
16 Arizona will pay to the order of \_\_\_\_\_ at  
17 \_\_\_\_\_ \$\_\_\_\_\_ with interest at  
18 \_\_\_\_\_ per annum from the date of issuance until paid  
19 (calculated on a 365/366 day basis).  
20 (insert early redemption provisions)

21 \_\_\_\_\_  
22 \_\_\_\_\_  
23 (Countersigned) State Treasurer  
24 Director of the department  
25 of administration

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

34 I. Treasurer's warrant notes issued in any fiscal year shall be  
35 numbered consecutively beginning with the number one. Treasurer's warrant  
36 notes shall be redeemed in numerical order. If the treasurer has  
37 sufficient monies to pay only a portion of the lowest numbered outstanding  
38 warrant note, the treasurer may deposit the monies with the paying agent  
39 pursuant to subsection K of this section or call in the lowest numbered  
40 warrant note, before maturity according to its terms, and pay the bearer  
41 the amount available and issue to the bearer a new warrant note bearing a  
42 number that will preserve, for the new warrant note, the priority of the  
43 partially paid warrant note and bearing a value equal to the amount of  
44 principal and interest remaining unpaid. The new warrant note and the  
45 partial payment of principal and interest on the partially paid warrant

1 note shall be exchanged for the partially paid warrant note. The new  
2 warrant note shall pay interest at the same rate as the partially paid  
3 warrant note. The treasurer may make the changes in the form and date of  
4 the new warrant note as necessary to reflect the amount of unpaid interest  
5 on the partially paid warrant note.

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

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

24 L. When the treasurer or the paying agent, if payment is made to a  
25 paying agent, pursuant to subsection K of this section, pays treasurer's  
26 warrant notes or when the warrant notes are redeemed, the treasurer or  
27 paying agent shall mark on the face of the treasurer's warrant notes the  
28 word "cancelled" or shall cancel the warrant notes by electronic means  
29 indicating the date of cancellation and shall promptly present the notes  
30 to the director of the department of administration who shall give the  
31 state treasurer a receipt therefor.

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

41 N. If treasurer's warrant notes are to be exchanged for warrants,  
42 checks or substitute checks, or electronic funds transfer vouchers held by  
43 banks or savings and loan associations, the treasurer may enter into  
44 agreements with such banks or savings and loan associations to provide for  
45 the issuance, reissuance and custody of treasurer's warrant notes, the

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

16 Sec. 19. Section 35-313, Arizona Revised Statutes, is amended to  
17 read:

18 35-313. Investment of trust and treasury monies; loan of  
19 securities

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

22 1. Obligations issued or guaranteed by the United States or any of  
23 its agencies, sponsored agencies, corporations, sponsored corporations or  
24 instrumentalities.

25 2. Repurchase agreements collateralized with securities that are  
26 authorized for investment pursuant to state law and that are purchased  
27 from authorized counterparties that have adequate capital and liquidity as  
28 determined by the state treasurer.

29 3. Bonds or other evidences of indebtedness of this state or any of  
30 the counties or incorporated cities, towns or duly organized school  
31 districts.

32 4. Commercial paper whose issuer is investment grade for short-term  
33 obligations by any two nationally recognized statistical rating  
34 organizations.

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

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

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

42 8. Securities of or any other interests in any open-end or  
43 closed-end management type investment company or investment trust,  
44 including exchange traded products whose underlying investments are  
45 invested in securities allowed by state law, registered under the

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

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

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

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

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

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

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

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

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

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

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

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

35 C. The state treasurer may contract to loan securities owned by the  
36 trust funds and operating monies deposited in the investment pools  
37 pursuant to section 35-316, subsection B to the financial or dealer  
38 community through one or more of the entities listed in section 35-317,  
39 subsection A, or authorized by the board of investment pursuant to section  
40 35-311, subsection E, if the borrower transfers collateral to the state  
41 treasurer or acting agent of the state in the form of cash or securities  
42 authorized for investment pursuant to state law. Collateral posted in the  
43 form of cash shall be in an amount equal to at least one hundred percent  
44 of the market value of the loaned securities as agreed. Collateral posted  
45 in the form of securities shall be in an amount of at least one hundred

1 two percent of the market value of the loaned securities as established  
2 from time to time by the board of investment. The loaned securities shall  
3 be valued as to market value daily, and, if necessary, the borrower shall  
4 post additional collateral, as agreed, to ensure that the required margin  
5 is maintained. The state treasurer may collect from the borrower all  
6 dividends, interest, premiums, rights and other distributions to which the  
7 lender of securities would otherwise be entitled. The state treasurer may  
8 terminate the contract on at least five business days' notice, as agreed,  
9 and the borrower may terminate the contract on at least two business days'  
10 notice, as agreed.

11 D. The state treasurer shall invest operating monies in state  
12 transportation board funding obligations delivered pursuant to section  
13 28-7678 pursuant to the following:

14 1. The state treasurer shall liquidate investments of operating  
15 monies if necessary to invest in state transportation board funding  
16 obligations, except that if operating monies in the state general fund  
17 fall below an \$800,000,000 average over the previous twelve consecutive  
18 months, the state treasurer is not required to purchase state  
19 transportation board funding obligations pursuant to this subsection.

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

30 3. The state treasurer shall notify the state transportation board  
31 and the director of the department of transportation in writing when the  
32 operating monies fall below \$400,000,000. If operating monies fall below  
33 \$200,000,000, the state treasurer may call the investment in the state  
34 transportation board funding obligations in \$25,000,000 increments up to  
35 the amount that the operating monies are below \$200,000,000. The state  
36 treasurer shall give the state transportation board and the director of  
37 the department of transportation at least fifteen days' notice of the  
38 call.

39 Sec. 20. Section 37-221, Arizona Revised Statutes, is amended to  
40 read:

41 37-221. Sale or lease of state lands for public education  
42 purposes

43 A. Notwithstanding any other law, school districts may enter into  
44 leases of state land for more than ten years if the land is to be used for  
45 public education purposes. These leases shall be granted according to the



1 constitution of this state and department rules. School districts shall  
2 ~~make all applications~~ APPLY for leases for educational purposes on forms  
3 prepared and furnished by the department, and an authorized agent of the  
4 governing board of the school district shall sign and swear to the  
5 application. A school district shall not use lands leased to it under  
6 this section except for public ~~educational~~ EDUCATION purposes.

7 B. The department shall develop procedures to give priority to the  
8 procedures used for school districts to lease state lands for public  
9 education purposes. The department shall develop procedures to simplify  
10 the procedures used for school districts to lease state lands for public  
11 education purposes. The procedures shall specify that any leases entered  
12 into and any improvements made to properties leased pursuant to this  
13 section using state monies shall comply with the requirements of title ~~15~~  
14 41, chapter ~~16~~ 56.

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

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

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

29 Sec. 21. Section 37-521, Arizona Revised Statutes, is amended to  
30 read:

31 37-521. Permanent state school fund; composition; use

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

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

36 2. All property which accrues to the state by escheat or  
37 forfeiture.

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

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

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

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

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

12           1. If there are outstanding state school facilities revenue bonds  
13 pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6, outstanding qualified  
14 zone academy bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 7 or  
15 outstanding state school trust revenue bonds issued to correct existing  
16 deficiencies, the state treasurer and the state land department shall  
17 annually transfer to the state school facilities revenue bond debt service  
18 fund established in section ~~15-2054~~ 41-5754, the state school improvement  
19 revenue bond debt service fund established in section ~~15-2084~~ 41-5784 and  
20 the state school trust revenue bond debt service fund the amount that is  
21 necessary to pay that fiscal year's debt service on outstanding state  
22 school facilities revenue bonds, qualified zone academy bonds and state  
23 school trust revenue bonds, before transferring amounts for any other  
24 uses.

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

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

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

1           Sec. 22. Section 41-2632, Arizona Revised Statutes, is amended to  
2 read:

3           41-2632. Cooperative purchasing authorized; definitions

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

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

20           2. Cooperatively use materials or services.

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

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

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

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

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

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

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

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

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

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

19 H. For the purposes of this section:

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

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

24 Sec. 23. Section 41-3022.18, Arizona Revised Statutes, is amended  
25 to read:

26 41-3022.18. Division of school facilities; termination  
27 July 1, 2024

28 A. The DIVISION OF school facilities ~~board~~ WITHIN THE DEPARTMENT OF  
29 ADMINISTRATION terminates on July 1, ~~2022~~ 2024.

30 B. Title ~~15~~ 41, chapter ~~16~~ 56, articles 1, 2, 3, 4, 5, 6, 7, 8 and  
31 9 and this section are repealed on January 1, ~~2023~~ 2025 only if either:

32 1. The ~~board~~ DIVISION has no outstanding state school facilities  
33 revenue bonds issued pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6, no  
34 outstanding state school improvement revenue bonds issued pursuant to  
35 title ~~15~~ 41, chapter ~~16~~ 56, article 7 and no outstanding lease-to-own  
36 transactions pursuant to sections ~~15-2004~~ 41-5703, ~~15-2005~~ 41-5704 and  
37 ~~15-2006~~ 41-5705.

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

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

1 title ~~15~~ 41, chapter ~~16~~ 56, articles 6 and 7 and any outstanding  
2 lease-to-own transactions issued pursuant to sections ~~15-2004~~ 41-5703,  
3 ~~15-2005~~ 41-5704 and ~~15-2006~~ 41-5705.

4 Sec. 24. Section 41-3024.14, Arizona Revised Statutes, is amended  
5 to read:

6 41-3024.14. Department of administration; termination July 1,  
7 2024

8 A. The department of administration terminates on July 1, 2024.

9 B. Title 41, chapter 4, articles 1, 2, 3, 4, 5 and 7 and title 18,  
10 chapter 1 are repealed on January 1, 2025.

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

13 41-3026.01. Credit enhancement eligibility board; termination  
14 July 1, 2026

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

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

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

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

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

29 Sec. 26. Heading change

30 The article heading of title 41, chapter 56, article 1, as  
31 transferred and renumbered, is changed from "SCHOOL FACILITIES BOARD" to  
32 "DIVISION OF SCHOOL FACILITIES".

33 Sec. 27. Title 41, chapter 56, article 1, Arizona Revised Statutes,  
34 as transferred and renumbered, is amended by adding sections 41-5701 and  
35 41-5701.01, to read:

36 41-5701. Definition of division

37 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES, "DIVISION"  
38 MEANS THE DIVISION OF SCHOOL FACILITIES WITHIN THE DEPARTMENT OF  
39 ADMINISTRATION.

40 41-5701.01. Division of school facilities

41 A. THE DIVISION OF SCHOOL FACILITIES IS ESTABLISHED WITHIN THE  
42 DEPARTMENT OF ADMINISTRATION.

43 B. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL APPOINT  
44 THE DIRECTOR OF THE DIVISION.

1           Sec. 28. Section 41-5701.02, Arizona Revised Statutes, as  
2 transferred and renumbered, is amended to read:

3           41-5701.02. Employees; conflict of interest; violation;  
4   classification; change orders; notification

5           ~~A. The school facilities board is established consisting of the~~  
6 ~~following members who shall be appointed by the governor pursuant to~~  
7 ~~section 38-211 in such a manner as to provide for approximate geographic~~  
8 ~~balance and approximate balance between public and 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~~  
14 ~~has 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           ~~B. In addition to the members appointed pursuant to subsection A of~~  
25 ~~this section, the superintendent of public instruction or the~~  
26 ~~superintendent's designee shall serve as an advisory nonvoting member of~~  
27 ~~the school facilities board.~~

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

30           ~~D. Members of the school facilities board serve four-year~~  
31 ~~terms. The school facilities board shall meet as often as the members~~  
32 ~~deem necessary. A majority of the members constitutes a quorum for the~~  
33 ~~transaction of business.~~

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

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

40           ~~G. Members of the board who are employed by government entities are~~  
41 ~~not eligible to receive compensation. Members of the board who are not~~  
42 ~~employed by government entities are entitled to payment of one hundred~~  
43 ~~fifty dollars for each meeting attended, prorated for partial days spent~~  
44 ~~for each meeting, up to two thousand five hundred dollars each year. All~~  
45 ~~members are eligible for reimbursement of expenses pursuant to title 38,~~

1 ~~chapter 4, article 2. These expenses and the payment of compensation are~~  
2 ~~payable to a member from monies appropriated to the board from the new~~  
3 ~~school facilities fund.~~

4 ~~H.~~ A. ~~Members and~~ Employees of the ~~school facilities board~~  
5 DIVISION are subject to title 38, chapter 3, article 8.

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

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

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

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

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

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

33 ~~M.~~ F. ~~Members~~ EMPLOYEES of the ~~school facilities board~~ DIVISION  
34 may not solicit, accept or provide gifts that are prohibited by state law.

35 Sec. 29. Section 41-5702, Arizona Revised Statutes, as transferred  
36 and renumbered, is amended to read:

37 41-5702. Powers and duties; staffing; reporting requirements

38 A. The ~~school facilities board~~ DIVISION shall:

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

41 2. Maintain a database of school facilities to ~~administer~~ ALLOW FOR  
42 THE ADMINISTRATION OF the ~~building renewal grant fund and~~ new school  
43 facilities formula AND THE BUILDING RENEWAL GRANT FUND. The facilities  
44 listed in the database must include all buildings that are owned by school  
45 districts. The ~~school facilities board~~ DIVISION shall ensure that the

1 database is updated on at least an annual basis. Each school district  
2 shall report to the ~~school facilities board~~ no DIVISION NOT later than  
3 September 1 of each year information as required by the ~~school facilities~~  
4 ~~board for the administration of~~ DIVISION TO ADMINISTER the building  
5 renewal grant fund and ~~computation of~~ COMPUTE new school facilities  
6 formula distributions, including the nature and cost of major repairs,  
7 renovations or physical improvements to or replacement of building systems  
8 or equipment that were made in the previous year and that were paid for  
9 either with local monies or monies provided ~~by the school facilities board~~  
10 from the building renewal grant fund. Each school district shall report  
11 any school or school buildings that have been closed, that are vacant or  
12 partially used pursuant to section 15-119 and that have been leased to  
13 another entity or that operate as a charter school. The ~~school facilities~~  
14 ~~board~~ DIVISION shall develop guidelines and definitions for the reporting  
15 prescribed in this paragraph and may review or audit the information, or  
16 both, to confirm the information submitted by a school district.  
17 Notwithstanding any other provision of this chapter, if a school district  
18 converts space that is listed in the database maintained pursuant to this  
19 paragraph to space that will be used for administrative purposes, the  
20 school district is responsible for any costs associated with ~~the~~  
21 ~~conversion~~ CONVERTING, ~~maintenance~~ MAINTAINING and ~~replacement of~~  
22 REPLACING that space. If a building is significantly upgraded or  
23 remodeled, the ~~school facilities board~~ DIVISION shall adjust the age of  
24 that school facility in the database as follows:

- 25 (a) Determine the building capacity value as follows:  
26 (i) Multiply the student capacity of the building by the per pupil  
27 square foot capacity established by section ~~15-2041~~ 41-5741.  
28 (ii) Multiply the product determined in item (i) of this  
29 subdivision by the cost per square foot established by section ~~15-2041~~  
30 41-5741.  
31 (b) Divide the cost of the renovation by the building capacity  
32 value determined in subdivision (a) of this paragraph.  
33 (c) Multiply the quotient determined in subdivision (b) of this  
34 paragraph by the currently listed age of the building in the database.  
35 (d) Subtract the product determined in subdivision (c) of this  
36 paragraph from the currently listed age of the building in the database,  
37 rounded to the nearest whole number. If the result is a negative number,  
38 use zero.

39 3. Inspect, CONTRACT WITH A THIRD PARTY TO INSPECT OR CERTIFY  
40 SCHOOL DISTRICT SELF-INSPECTIONS OF school buildings at least once every  
41 five years to ensure compliance with the building adequacy standards  
42 prescribed in section ~~15-2011~~ 41-5711, the accuracy of the reporting of  
43 vacant and partially used buildings pursuant to this subsection and  
44 routine preventive maintenance guidelines as prescribed in this section  
45 with respect to ~~construction of~~ CONSTRUCTING new buildings and ~~maintenance~~



1 of MAINTAINING existing buildings. The ~~school facilities board~~ DIVISION  
2 shall randomly select twenty school districts every thirty months and  
3 ~~inspect~~ PROVIDE FOR them TO BE INSPECTED pursuant to this paragraph.

4 ~~4. Review and approve student population projections submitted by~~  
5 ~~school districts to determine to what extent school districts are entitled~~  
6 ~~to monies to construct new facilities pursuant to section 15-2041. The~~  
7 ~~board shall make a final determination within five months after the~~  
8 ~~receipt of an application by a school district for monies from the new~~  
9 ~~school facilities fund.~~

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

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

24 ~~7.~~ 5. Develop application forms, reporting forms and procedures to  
25 carry out the requirements of this article, including developing and  
26 implementing policies and procedures to:

27 (a) Ensure that the ~~board~~ DIVISION ~~board~~ notifies school districts in a  
28 uniform manner of the services and funding available for school districts  
29 from the ~~board~~ DIVISION for facility construction, renovation and repair  
30 projects. The policies and procedures shall require the ~~board~~ DIVISION ~~board~~ to  
31 provide at least one annual communication to school districts in a manner  
32 prescribed by the ~~board~~ DIVISION and shall require each school district to  
33 develop and maintain a list of persons who are responsible for facilities  
34 management at that school district.

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

42 (c) Ensure that the ~~board~~ DIVISION ~~board~~ maintains standardized  
43 documentation of all projects submitted to the ~~board~~ DIVISION for  
44 consideration to receive services or a financial award from the ~~board~~  
45 DIVISION. The ~~board~~ DIVISION shall maintain standardized documentation of

1 any project awarded monies by the ~~board~~ DIVISION, including records of  
2 payments to school districts in a manner prescribed by the ~~board~~  
3 DIVISION. The standardized documentation shall include the following as  
4 part of the eligibility determination criteria:

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

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

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

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

17 (i) The school district's use or planned use of the facility.

18 (ii) A detailed description of the problem and the school  
19 district's recommended solution.

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

22 (iv) Any citation or report from government entities.

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

24 (vi) The project category.

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

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

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

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

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

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

1           ~~(j)~~ (i) Allow the staff of the ~~board~~ DIVISION to notify a school  
2 district in writing before review by the ~~board~~ DIVISION that the proposed  
3 project does not meet eligibility criteria prescribed in this chapter.  
4 The written notification shall include documentation to support the  
5 ~~staff's~~ determination that the proposed project does not meet the  
6 eligibility criteria prescribed in this chapter. The school district may  
7 directly appeal the ~~staff's~~ determination of ineligibility to the  
8 ~~executive~~ director of the ~~board~~ DIVISION. ~~The school district may~~  
9 ~~directly appeal the executive director's determination of ineligibility to~~  
10 ~~the board.~~

11           ~~(k)~~ (j) Prohibit the staff of the ~~board~~ DIVISION from requesting  
12 that a school district withdraw a project application from review by the  
13 ~~board~~ DIVISION if the initial ~~staff~~ review determines that the proposed  
14 project may be ineligible for monies ~~from the board~~ PURSUANT TO THIS  
15 CHAPTER.

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

18           ~~9.~~ 6. Submit electronically an annual report on or before December  
19 15 to the speaker of the house of representatives, the president of the  
20 senate, the superintendent of public instruction, the secretary of state  
21 and the governor that includes the following information:

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

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

30           (c) A summary of the findings and conclusions of the building  
31 maintenance inspections conducted pursuant to this article during the  
32 previous fiscal year.

33           (d) A summary of the findings of common design elements and  
34 characteristics of the highest performing schools and the lowest  
35 performing schools based on academic productivity, including the results  
36 of the parent quality rating survey. For the purposes of this  
37 subdivision, "academic productivity" means academic year advancement per  
38 calendar year as measured with student-level data using the statewide  
39 nationally standardized norm-referenced achievement test.

40           ~~10.~~ 7. On or before December 1 of each year, report electronically  
41 to the joint committee on capital review the amounts necessary to fulfill  
42 the requirements of ~~sections 15-2022 and 15-2041~~ SECTION 41-5721 for the  
43 following three fiscal years. In developing the amounts necessary for  
44 this report, the ~~school facilities board~~ DIVISION shall use the most  
45 recent average daily membership data available. On request from the ~~board~~

1 DIVISION, the department of education shall make available the most recent  
2 average daily membership data for use in calculating the amounts necessary  
3 to fulfill the requirements of section ~~15-2041~~ 41-5721 for the following  
4 three fiscal years. The ~~board~~ DIVISION shall provide copies of the report  
5 to the president of the senate, the speaker of the house of  
6 representatives and the governor.

7 ~~11. Adopt minimum school facility adequacy guidelines to provide~~  
8 ~~the minimum quality and quantity of school buildings and the facilities~~  
9 ~~and equipment necessary and appropriate to enable pupils to achieve the~~  
10 ~~educational goals of the Arizona state schools for the deaf and the blind.~~  
11 ~~The school facilities board shall establish minimum school facility~~  
12 ~~adequacy guidelines applicable to the Arizona state schools for the deaf~~  
13 ~~and the blind.~~

14 ~~12. In each even-numbered year, report electronically to the joint~~  
15 ~~committee on capital review the amounts necessary to fulfill the~~  
16 ~~requirements of section 15-2041 for the Arizona state schools for the deaf~~  
17 ~~and the blind for the following two fiscal years. The Arizona state~~  
18 ~~schools for the deaf and the blind shall incorporate the findings of the~~  
19 ~~report in any request for new school facilities monies. Any monies~~  
20 ~~provided to the Arizona state schools for the deaf and the blind for new~~  
21 ~~school facilities are subject to legislative appropriation.~~

22 ~~13.~~ 8. On or before June 15 of each year, submit electronically  
23 detailed information regarding demographic assumptions, ~~AND~~ a proposed  
24 construction schedule ~~and new school construction cost estimates~~ for  
25 individual projects approved in the current fiscal year and expected  
26 project approvals for the upcoming fiscal year to the joint committee on  
27 capital review for its review. A copy of the report shall also be  
28 submitted electronically to the governor's office of strategic planning  
29 and budgeting. The joint legislative budget committee staff, the  
30 governor's office of strategic planning and budgeting staff and the ~~school~~  
31 ~~facilities board~~ DIVISION staff shall agree on the format of the report.

32 ~~14.~~ 9. Every two years, provide school districts with information  
33 on improving and maintaining the indoor environmental quality in school  
34 buildings.

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

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

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

- 1           11. VALIDATE PROPOSED ADJACENT WAYS PROJECTS THAT ARE SUBMITTED BY  
2 SCHOOL DISTRICTS AS PRESCRIBED IN SECTION 15-995 PURSUANT TO RULES ADOPTED  
3 BY THE DIVISION UNDER PARAGRAPH 10 OF THIS SUBSECTION.
- 4           12. BRIEF THE JOINT COMMITTEE ON CAPITAL REVIEW AT LEAST ONCE EACH  
5 YEAR REGARDING THE USE OF MONIES FROM ALL OF THE FOLLOWING:
  - 6           (a) THE EMERGENCY DEFICIENCIES CORRECTION FUND ESTABLISHED BY  
7 SECTION 41-5721.
  - 8           (b) THE BUILDING RENEWAL GRANT FUND ESTABLISHED BY SECTION 41-5731.
  - 9           (c) THE NEW SCHOOL FACILITIES FUND ESTABLISHED BY SECTION 41-5741.
- 10          13. REVIEW AND APPROVE STUDENT POPULATION PROJECTIONS SUBMITTED BY  
11 SCHOOL DISTRICTS TO DETERMINE THE EXTENT TO WHICH SCHOOL DISTRICTS ARE  
12 ENTITLED TO MONIES TO CONSTRUCT NEW FACILITIES PURSUANT TO SECTION  
13 41-5741. THE DIVISION SHALL MAKE A FINAL DETERMINATION WITHIN FIVE MONTHS  
14 AFTER RECEIVING AN APPLICATION FROM A SCHOOL DISTRICT FOR MONIES FROM THE  
15 NEW SCHOOL FACILITIES FUND.
- 16          14. CERTIFY THAT PLANS FOR NEW SCHOOL FACILITIES MEET THE BUILDING  
17 ADEQUACY STANDARDS PRESCRIBED IN SECTION 41-5711.
- 18          15. REVIEW AND APPROVE OR REJECT REQUESTS SUBMITTED BY SCHOOL  
19 DISTRICTS TO TAKE ACTIONS PURSUANT TO SECTION 15-341, SUBSECTION G.
- 20          16. ON OR BEFORE DECEMBER 15 OF EACH YEAR, ELECTRONICALLY SUBMIT A  
21 REPORT TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE PRESIDENT OF  
22 THE SENATE, THE GOVERNOR, THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE  
23 SECRETARY OF STATE THAT INCLUDES THE FOLLOWING INFORMATION:
  - 24           (a) A DETAILED DESCRIPTION OF THE AMOUNT OF MONIES THE DIVISION  
25 DISTRIBUTED UNDER THIS CHAPTER IN THE PREVIOUS FISCAL YEAR.
  - 26           (b) A LIST OF EACH CAPITAL PROJECT THAT RECEIVED MONIES FROM THE  
27 DIVISION UNDER THIS CHAPTER DURING THE PREVIOUS FISCAL YEAR, A BRIEF  
28 DESCRIPTION OF EACH PROJECT THAT WAS FUNDED AND A SUMMARY OF THE  
29 DIVISION'S REASONS FOR DISTRIBUTING MONIES FOR THE PROJECT.
  - 30           (c) A SUMMARY OF THE FINDINGS AND CONCLUSIONS OF THE BUILDING  
31 MAINTENANCE INSPECTIONS CONDUCTED PURSUANT TO THIS ARTICLE DURING THE  
32 PREVIOUS FISCAL YEAR.
- 33          17. ON OR BEFORE DECEMBER 1 OF EACH YEAR, ELECTRONICALLY REPORT TO  
34 THE JOINT COMMITTEE ON CAPITAL REVIEW THE AMOUNTS ESTIMATED TO BE  
35 NECESSARY TO FULFILL THE REQUIREMENTS OF SECTION 41-5741 FOR THE FOLLOWING  
36 THREE FISCAL YEARS. IN DEVELOPING THE AMOUNTS FOR THIS REPORT, THE  
37 DIVISION SHALL USE THE MOST RECENT AVERAGE DAILY MEMBERSHIP DATA  
38 AVAILABLE. ON REQUEST FROM THE DIVISION, THE DEPARTMENT OF EDUCATION  
39 SHALL MAKE AVAILABLE THE MOST RECENT AVERAGE DAILY MEMBERSHIP DATA FOR USE  
40 IN CALCULATING THE AMOUNTS NECESSARY TO FULFILL THE REQUIREMENTS OF  
41 SECTION 41-5741 FOR THE FOLLOWING THREE FISCAL YEARS. THE DIVISION SHALL  
42 PROVIDE COPIES OF THE REPORT TO THE PRESIDENT OF THE SENATE, THE SPEAKER  
43 OF THE HOUSE OF REPRESENTATIVES AND THE GOVERNOR.
- 44          18. ADOPT MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES TO PROVIDE  
45 THE MINIMUM QUALITY AND QUANTITY OF SCHOOL BUILDINGS AND THE FACILITIES

1 AND EQUIPMENT NECESSARY AND APPROPRIATE TO ENABLE PUPILS TO ACHIEVE THE  
2 EDUCATIONAL GOALS OF THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND.  
3 THE DIVISION SHALL ESTABLISH MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES  
4 APPLICABLE TO THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND.

5 19. ON OR BEFORE JUNE 15 OF EACH YEAR, ELECTRONICALLY SUBMIT TO THE  
6 JOINT COMMITTEE ON CAPITAL REVIEW FOR ITS REVIEW DETAILED INFORMATION  
7 REGARDING DEMOGRAPHIC ASSUMPTIONS, A PROPOSED CONSTRUCTION SCHEDULE AND  
8 NEW SCHOOL CONSTRUCTION COST ESTIMATES FOR INDIVIDUAL PROJECTS APPROVED IN  
9 THE CURRENT FISCAL YEAR AND EXPECTED PROJECT APPROVALS FOR THE UPCOMING  
10 FISCAL YEAR. A COPY OF THE REPORT SHALL ALSO BE SUBMITTED ELECTRONICALLY  
11 TO THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING. THE JOINT  
12 LEGISLATIVE BUDGET COMMITTEE STAFF, THE GOVERNOR'S OFFICE OF STRATEGIC  
13 PLANNING AND BUDGETING STAFF AND THE DIVISION STAFF SHALL AGREE ON THE  
14 FORMAT OF THE REPORT.

15 20. ON OR BEFORE DECEMBER 31 OF EACH YEAR, REPORT TO THE JOINT  
16 LEGISLATIVE BUDGET COMMITTEE ON ALL CLASS B BOND APPROVALS BY SCHOOL  
17 DISTRICT IN THAT YEAR. EACH SCHOOL DISTRICT SHALL REPORT TO THE DIVISION  
18 ON OR BEFORE DECEMBER 1 OF EACH YEAR THE INFORMATION REQUIRED BY THE  
19 DIVISION FOR THE REPORT PRESCRIBED IN THIS PARAGRAPH.

20 B. The ~~school facilities board~~ DIVISION may contract for the  
21 following services in compliance with the procurement practices prescribed  
22 in ~~title 41,~~ chapter 23 OF THIS TITLE:

- 23 1. Private services.
- 24 2. Construction project management services.
- 25 3. Assessments for school buildings to determine if the buildings  
26 have outlived their useful life pursuant to section ~~15-2041~~ 41-5741,  
27 subsection G OR HAVE BEEN CONDEMNED.
- 28 4. Services related to land acquisition and development of a school  
29 site.

30 C. ~~The governor shall appoint an executive director of the school~~  
31 ~~facilities board pursuant to section 38-211.~~ The executive director is  
32 ~~eligible to receive compensation as determined pursuant to section 38-611~~  
33 ~~and~~ OF THE DIVISION:

34 1. May hire and fire necessary staff subject to ~~title 41,~~ chapter  
35 4, article 4 OF THIS TITLE and as approved by the legislature in the  
36 budget. ~~The executive director shall have demonstrated competency in~~  
37 ~~school finance, facilities design or facilities management, either in~~  
38 ~~private business or government service. The executive director serves at~~  
39 ~~the pleasure of the governor. The staff of the school facilities board is~~  
40 ~~exempt from title 41, chapter 4, articles 5 and 6. The executive~~  
41 ~~director:~~

42 ~~1.~~ 2. Shall analyze applications for monies submitted to the ~~board~~  
43 DIVISION by school districts.

44 ~~2.~~ 3. Shall assist the ~~board~~ DIVISION in developing forms and  
45 procedures for ~~the distribution~~ DISTRIBUTING and ~~review of~~ REVIEWING

1 applications and ~~the distribution of~~ DISTRIBUTE monies to school  
2 districts.

3 ~~3.~~ 4. May review or audit, or both, the expenditure of monies by a  
4 school district for deficiencies corrections and new school facilities.

5 ~~4.~~ 5. Shall assist the ~~board~~ DIVISION in ~~the preparation of~~  
6 PREPARING the ~~board's~~ DIVISION'S annual ~~report~~ REPORTS.

7 ~~5.~~ 6. Shall research and provide reports on issues of general  
8 interest to the ~~board~~ DIVISION.

9 ~~6.~~ 7. May aid school districts in ~~the development of~~ DEVELOPING  
10 reasonable and cost-effective school designs in order to avoid statewide  
11 duplicated efforts and unwarranted expenditures in the area of school  
12 design.

13 ~~7.~~ 8. May assist school districts in facilitating the development  
14 of multijurisdictional facilities.

15 ~~8.~~ 9. Shall assist the ~~board~~ DIVISION in any other appropriate  
16 matter or method as directed by the DIVISION ~~members of the board~~.

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

29 ~~10.~~ 11. May expedite any request for monies in which the local  
30 match was not obtained for a project that received preliminary approval by  
31 the state board for school capital facilities.

32 ~~11.~~ 12. Shall expedite any request for monies in which the school  
33 district governing board submits an application that shows an immediate  
34 need for a new school facility.

35 ~~12.~~ 13. Shall ~~make a determination as to~~ DETERMINE administrative  
36 ~~completion~~ COMPLETENESS within one month after ~~the receipt of~~ RECEIVING an  
37 application ~~by~~ FROM a school district for monies from the new school  
38 facilities fund.

39 ~~13.~~ 14. Shall provide technical support to school districts as  
40 requested by school districts in connection with ~~the construction of~~  
41 CONSTRUCTING new school facilities and ~~the maintenance of~~ MAINTAINING  
42 existing school facilities and may contract directly with construction  
43 project managers pursuant to subsection B of this section. This paragraph  
44 does not restrict a school district from contracting with a construction  
45 project manager using district or state resources.

1 D. When appropriate, the ~~school facilities board~~ DIVISION shall  
2 review and use the statewide school facilities inventory and needs  
3 assessment conducted by the joint committee on capital review and issued  
4 in July, 1995.

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

13 F. The ~~school facilities board~~ DIVISION may consider appropriate  
14 combinations of facilities or uses in ~~making assessments of~~ ASSESSING and  
15 curing deficiencies pursuant to subsection A, paragraph 1 of this section  
16 and in certifying plans for new school facilities pursuant to subsection  
17 A, paragraph ~~5~~ 14 of this section.

18 G. The ~~board~~ DIVISION shall not award any monies to fund new  
19 facilities that are financed by class A bonds that are issued by the  
20 school district.

21 H. The ~~board~~ DIVISION shall not distribute monies to a school  
22 district for ~~replacement~~ REPLACING or ~~repair of~~ REPAIRING facilities if  
23 the costs associated with the replacement or repair are covered by  
24 insurance or a performance or payment bond.

25 I. The ~~board~~ DIVISION may contract for construction services and  
26 materials that are necessary to correct existing deficiencies in school  
27 district facilities. The ~~board~~ DIVISION may procure the construction  
28 services necessary pursuant to this subsection by any method, including  
29 construction-manager-at-risk, design-build, design-bid-build or  
30 job-order-contracting as provided by ~~title 41~~, chapter 23 OF THIS TITLE.  
31 The construction planning and services performed pursuant to this  
32 subsection are exempt from section 41-791.01.

33 J. The ~~school facilities board~~ DIVISION may enter into agreements  
34 with school districts to allow ~~school facilities board~~ DIVISION staff and  
35 contractors access to school property for the purposes of performing the  
36 construction services necessary pursuant to subsection I of this section.

37 K. Each school district shall develop routine preventive  
38 maintenance guidelines for its facilities. The guidelines shall include  
39 plumbing systems, electrical systems, heating, ventilation and air  
40 conditioning systems, special equipment and other systems and for roofing  
41 systems shall recommend visual inspections performed by district staff for  
42 signs of structural stress and weakness. The guidelines shall be  
43 submitted to the ~~school facilities board~~ DIVISION for review and approval.  
44 If on inspection by the ~~school facilities board~~ DIVISION it is determined  
45 that a school district facility was inadequately maintained pursuant to



1 the school district's routine preventive maintenance guidelines, the  
2 school district shall return the building to compliance with the school  
3 district's routine preventive maintenance guidelines.

4 L. The ~~school facilities board~~ DIVISION may temporarily transfer  
5 monies between ~~the capital reserve fund established by section 15-2003,~~  
6 the emergency deficiencies correction fund established by section ~~15-2022~~  
7 ~~41-5721~~ and the new school facilities fund established by section ~~15-2041~~  
8 ~~41-5741~~ if all of the following conditions are met:

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

11 2. The transferred monies are restored to the fund where the monies  
12 originated as soon as practicable after the temporary shortfall in the  
13 other fund has been addressed.

14 3. The ~~school facilities board reports~~ DIVISION REPORTS to the  
15 joint committee on capital review the amount of and the reason for any  
16 monies transferred.

17 M. After notifying each school district, and if a written objection  
18 from the school district is not received by the ~~school facilities board~~  
19 DIVISION within thirty days ~~of~~ AFTER the notification, the ~~school~~  
20 ~~facilities board~~ DIVISION may access public utility company records of  
21 power, water, natural gas, telephone and broadband usage to assemble  
22 consistent and accurate data on utility consumption at school facilities  
23 to determine the effectiveness of facility design, operation and  
24 maintenance measures intended to reduce energy and water consumption and  
25 costs. Any public utility that provides service to a school district in  
26 this state shall provide the data requested by the ~~school facilities board~~  
27 DIVISION pursuant to this subsection.

28 N. The ~~school facilities board~~ DIVISION shall not require a common  
29 school district that provides instruction to pupils in grade nine to  
30 obtain approval from the ~~school facilities board~~ DIVISION to reconfigure  
31 its school facilities. A common school district that provides instruction  
32 to pupils in grade nine is not entitled to additional monies from the  
33 ~~school facilities board~~ DIVISION for facilities to educate pupils in grade  
34 nine.

35 O. A school district may appeal the denial of a request for monies  
36 pursuant to this chapter or any other appealable agency action by the  
37 ~~school facilities board~~ DIVISION pursuant to ~~title 41,~~ chapter 6, article  
38 10 OF THIS TITLE. For the purposes of this subsection, "appealable agency  
39 action" has the same meaning prescribed in section 41-1092.

40 Sec. 30. Section 41-5703, Arizona Revised Statutes, as transferred  
41 and renumbered, is amended to read:

42 41-5703. Division of school facilities lease-to-own; fund;  
43 expiration

44 A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741,  
45 the ~~school facilities board~~ DIVISION may acquire school facilities for the

1 use of one or more school districts by entering into one or more  
2 lease-to-own transactions in accordance with this section. For THE  
3 purposes of this section, providing school facilities includes land  
4 acquisition, related infrastructure, fixtures, furnishings, equipment and  
5 costs of the lease-to-own transaction. The ~~school facilities board~~  
6 DIVISION may provide monies to provide school facilities in part pursuant  
7 to section ~~15-2041~~ 41-5741 and in part through a lease-to-own transaction.

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

9 1. The ground lease of the land for the facilities to a private  
10 entity for the term of the lease-to-own transaction or for a term of up to  
11 one and one-half times the term of the lease-to-own transaction, subject  
12 to earlier termination on completion of performance of the lease-to-own  
13 agreement. The ground lessor may either be the school district or the  
14 ~~school facilities board~~ DIVISION, whichever holds title to the land.

15 2. The lease of the completed school facilities by a private entity  
16 to the ~~school facilities board~~ DIVISION for an extended term of years  
17 pursuant to a lease-to-own agreement.

18 3. The sublease of the completed school facilities by the ~~school~~  
19 ~~facilities board~~ DIVISION to the school district during the term of the  
20 lease-to-own agreement. The sublease shall provide for the use,  
21 maintenance and operation of the school facilities by the school district  
22 and for the transfer of ownership of the school facilities to the school  
23 district on completion of performance of the lease-to-own agreement.

24 4. The option for the ~~school facilities board's~~ DIVISION'S purchase  
25 of the school facilities and transfer of ownership of the school  
26 facilities to the school district before the expiration of the  
27 lease-to-own agreement.

28 5. The services of trustees, financial advisors, paying agents,  
29 transfer agents, underwriters, lawyers and other professional service  
30 providers, credit enhancements or liquidity facilities and all other  
31 services considered necessary by the ~~school facilities board~~ DIVISION in  
32 connection with the lease-to-own transaction, and related agreements and  
33 arrangements including arrangements for the creation and sale of  
34 certificates of participation evidencing proportionate interests in the  
35 lease payments to be made by the ~~school facilities board~~ DIVISION pursuant  
36 to the lease-to-own agreement.

37 C. The sublease of the school facilities to the school district is  
38 subject to this section and to the provisions of the lease-to-own  
39 agreement. Neither a ground lease by the school district as lessor nor a  
40 sublease of the school facilities to the school district is required to be  
41 authorized by a vote of the school district electors. A ground lease is  
42 not subject to any limitations or requirements applicable to leases or  
43 lease-purchase agreements pursuant to section 15-342 or any other section  
44 of TITLE 15 OR this ~~title~~ CHAPTER.

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

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

7 F. The ~~school facilities board~~ DIVISION shall include any square  
8 footage of new school facilities constructed through lease-to-own  
9 agreements in the computations prescribed in section ~~15-2011~~ 41-5711.

10 G. ~~A~~ THE lease-to-own fund is established consisting of monies  
11 appropriated by the legislature. The ~~school facilities board~~ DIVISION  
12 shall administer the fund and distribute monies in the fund to make  
13 payments pursuant to lease-to-own agreements entered into by the ~~school~~  
14 ~~facilities board~~ DIVISION pursuant to this section, to make payments to or  
15 for the benefit of school districts pursuant to local lease-to-own  
16 agreements entered into by school districts pursuant to section ~~15-2005~~  
17 41-5704 and to pay costs considered necessary by the ~~school facilities~~  
18 ~~board~~ DIVISION in connection with lease-to-own transactions and local  
19 lease-to-own transactions. Payments by the ~~school facilities board~~  
20 DIVISION pursuant to a lease-to-own agreement or local lease-to-own  
21 agreement shall be made only from the lease-to-own fund. On notice from  
22 the ~~school facilities board~~ DIVISION, the state treasurer shall invest and  
23 divest monies in the fund as provided by section 35-313, and monies earned  
24 from investment shall be credited to the lease-to-own fund.

25 H. A lease-to-own agreement entered into by the ~~school facilities~~  
26 ~~board~~ DIVISION pursuant to this section shall provide that:

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

30 2. The obligation of the ~~school facilities board~~ DIVISION to make  
31 any payment under the lease-to-own agreement is a current expense, payable  
32 exclusively from appropriated monies, and is not a general obligation  
33 indebtedness of this state or the ~~school facilities board~~ DIVISION. The  
34 obligation of a school district to make expenditures under a sublease  
35 pursuant to subsection B, paragraph 3 of this section is a current  
36 expense, payable exclusively from budgeted monies, and is not a general  
37 obligation indebtedness of the school district.

38 3. If the legislature fails to appropriate monies or the ~~school~~  
39 ~~facilities board~~ DIVISION fails to allocate such monies for any periodic  
40 payment or renewal term of the lease-to-own agreement, the lease-to-own  
41 agreement terminates at the end of the current term and this state and the  
42 ~~school facilities board~~ DIVISION are relieved of any subsequent obligation  
43 under the agreement and the school district is relieved of any subsequent  
44 obligation under the sublease.

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

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

6           I. The ~~school facilities board~~ DIVISION may covenant to use its  
7 best efforts to budget, obtain, allocate and maintain sufficient  
8 appropriated monies to make payments under a lease-to-own agreement, but  
9 the lease-to-own agreement shall acknowledge that appropriating state  
10 monies is a legislative act and is beyond the control of the ~~school~~  
11 ~~facilities board~~ DIVISION or of any other party to the lease-to-own  
12 agreement.

13           J. The land and the school facilities on the land are exempt from  
14 taxation during the term of the lease-to-own agreement and during  
15 construction and subsequent occupancy by the school district pursuant to  
16 the sublease.

17           K. The powers prescribed in this section are in addition to the  
18 powers conferred by any other law. Without reference to any other  
19 provision of TITLE 15, this ~~title~~ CHAPTER or ~~to~~ any other law, this  
20 section is authority for the completion of the purposes prescribed in this  
21 section for the ~~school facilities board~~ DIVISION to provide school  
22 facilities for use by school districts through lease-to-own transactions  
23 pursuant to this section without regard to the procedure required by any  
24 other law. Except as otherwise provided in this section, the provisions  
25 of TITLE 15 AND this ~~title~~ CHAPTER that relate to the matters contained in  
26 this section are superseded because this section is the exclusive law on  
27 these matters.

28           L. The ~~school facilities board~~ DIVISION shall not enter into  
29 lease-to-own transactions, including any refinancings or refundings,  
30 pursuant to this section from and after May 15, 2006.

31           Sec. 31. Section 41-5704, Arizona Revised Statutes, as transferred  
32 and renumbered, is amended to read:

33           41-5704. Local lease-to-own by school districts; expiration

34           A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741,  
35 with the approval of the ~~school facilities board~~ DIVISION, a school  
36 district may acquire school facilities by entering into a local  
37 lease-to-own transaction in accordance with this section. For purposes of  
38 this section, providing school facilities includes land acquisition,  
39 related infrastructure, fixtures, furnishings, equipment and costs of the  
40 local lease-to-own transaction. The ~~school facilities board~~ DIVISION may  
41 provide monies to provide school facilities in part pursuant to section  
42 ~~15-2041~~ 41-5741 and in part through payments to or for the benefit of a  
43 school district for a local lease-to-own transaction.

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

1           1. The ground lease of the land for the facilities to a private  
2 entity for the term of the local lease-to-own transaction or for a term of  
3 up to one and one-half times the term of the local lease-to-own  
4 transaction, subject to earlier termination on completion of performance  
5 of the local lease-to-own agreement. The ground lessor may either be the  
6 school district or the ~~school facilities board~~ DIVISION, whichever holds  
7 title to the land.

8           2. The lease of the completed school facilities by a private entity  
9 to the school district for an extended term of years pursuant to a local  
10 lease-to-own agreement. The local lease-to-own agreement shall provide  
11 for the use, maintenance and operation of the school facilities by the  
12 school district and for the transfer of ownership of the school facilities  
13 to the school district on completion of performance of the local  
14 lease-to-own agreement.

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

18           4. The services of trustees, financial advisors, paying agents,  
19 transfer agents, underwriters, lawyers and other professional service  
20 providers, credit enhancements or liquidity facilities and all other  
21 services considered necessary by the school district or the ~~school~~  
22 ~~facilities board~~ DIVISION in connection with the local lease-to-own  
23 transaction, and related agreements and arrangements including  
24 arrangements for the creation and sale of certificates of participation  
25 evidencing proportionate interests in the lease payments to be made by the  
26 school district pursuant to the local lease-to-own agreement.

27           C. Neither a ground lease by the school district as lessor nor a  
28 local lease-to-own agreement is required to be authorized by a vote of the  
29 school district electors. A ground lease is not subject to any  
30 limitations or requirements applicable to leases or lease-purchase  
31 agreements pursuant to section 15-342 or any other section of TITLE 15 OR  
32 this ~~title~~ CHAPTER.

33           D. The ~~school facilities board~~ DIVISION may make payments to or for  
34 the benefit of the school district from the lease-to-own fund established  
35 by section ~~15-2004~~ 41-5703 for the payment of amounts payable under the  
36 local lease-to-own agreement.

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

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

43           G. The ~~school facilities board~~ DIVISION shall include any square  
44 footage of new school facilities constructed through lease-to-own  
45 agreements in the computations prescribed in section ~~15-2011~~ 41-5711.

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

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

6 2. The obligation of the school district to make any payment or  
7 expenditure under the local lease-to-own agreement is a current expense,  
8 payable exclusively from properly budgeted monies, and is not a general  
9 obligation indebtedness of this state, the ~~school facilities board~~  
10 **DIVISION** or the school district, and that any payment by the ~~school~~  
11 ~~facilities board~~ **DIVISION** to or for the benefit of the school district  
12 from the lease-to-own fund established by section ~~15-2004~~ **41-5703** for  
13 payments of amounts payable under the local lease-to-own agreement is a  
14 current expense, payable exclusively from appropriated monies, and is not  
15 a general obligation indebtedness of this state or the ~~school facilities~~  
16 ~~board~~ **DIVISION**.

17 3. If the school district fails to properly budget for payments  
18 under the local lease-to-own agreement or if the legislature fails to  
19 appropriate monies or the ~~school facilities board~~ **DIVISION** fails to  
20 allocate monies for periodic payment to or for the benefit of the school  
21 district for payments under the local lease-to-own agreement, the local  
22 lease-to-own agreement terminates at the end of the current term and the  
23 school district, the ~~school facilities board~~ **DIVISION** and this state are  
24 relieved of any subsequent obligation under the local lease-to-own  
25 agreement.

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

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

31 I. The school district may covenant to use its best efforts to  
32 budget, obtain, allocate and maintain sufficient monies to make payments  
33 under a local lease-to-own agreement, but the local lease-to-own agreement  
34 shall acknowledge that budgeting school district monies is a governmental  
35 act of the school district governing board that may not be contracted  
36 away. The ~~school facilities board~~ **DIVISION** is not required to covenant to  
37 budget, obtain, allocate or maintain sufficient monies in the lease-to-own  
38 fund to make payments to or for the benefit of a school district for  
39 payments under a local lease-to-own agreement.

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

44 K. The powers prescribed in this section are in addition to the  
45 powers conferred by any other law. Without reference to any other

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

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

12 Sec. 32. Section 41-5705, Arizona Revised Statutes, as transferred  
13 and renumbered, is amended to read:

14 41-5705. Lease-to-own amount; expiration

15 A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741,  
16 the ~~school facilities board~~ DIVISION may enter into lease-to-own  
17 transactions for up to a maximum of ~~two hundred million dollars~~  
18 \$200,000,000 in any fiscal year.

19 B. The ~~school facilities board~~ DIVISION shall not enter into  
20 lease-to-own transactions, including any refinancings or refundings,  
21 pursuant to this section from and after May 15, 2006.

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

24 41-5711. Minimum school facility adequacy requirements;  
25 definition

26 A. The ~~school facilities board~~ DIVISION, as determined and  
27 prescribed in this chapter, shall provide funding to school districts for  
28 new construction as the number of pupils in the district fills the  
29 existing school facilities and requires more pupil space.

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

32 1. The buildings contain sufficient and appropriate space and  
33 equipment that comply with the minimum school facility adequacy guidelines  
34 established pursuant to subsection F of this section. The state shall not  
35 fund facilities for elective courses that require the school district  
36 facilities to exceed minimum school facility adequacy requirements. The  
37 ~~school facilities board~~ DIVISION shall determine whether a school building  
38 meets the requirements of this paragraph by analyzing the total square  
39 footage that is available for each pupil in conjunction with the need for  
40 specialized spaces and equipment.

41 2. The buildings are in compliance with federal, state and local  
42 building and fire codes and laws that ~~are applicable~~ APPLY to the  
43 particular building, except that a school with an aggregate area of less  
44 than five thousand square feet is subject to permitting and inspection by  
45 a local fire marshal and is only subject to regulation or inspection by



1 the office of the state fire marshal if the county, city or town in which  
2 the school is located does not employ a local fire marshal. An existing  
3 school building is not required to comply with current requirements for  
4 new buildings unless this compliance is specifically mandated by law or by  
5 the building or fire code of the jurisdiction where the building is  
6 located.

7 3. The building systems, including roofs, plumbing, telephone  
8 systems, electrical systems, heating systems and cooling systems, are in  
9 working order and are capable of being properly maintained.

10 4. The buildings are structurally sound.

11 C. The standards that shall be used by the ~~school facilities board~~  
12 **DIVISION** to determine whether a school building meets the minimum adequate  
13 gross square footage requirements are as follows:

14 1. For a school district that provides instruction to pupils in  
15 programs for preschool children with disabilities, kindergarten programs  
16 and grades one through six, eighty square feet per pupil in programs for  
17 preschool children with disabilities, kindergarten programs and grades one  
18 through six.

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

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

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

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

33 6. For a school district that provides instruction to more than one  
34 thousand and up to one thousand eight hundred pupils in grades nine  
35 through twelve, one hundred twelve square feet per pupil in grades nine  
36 through twelve or one hundred twenty thousand square feet, whichever is  
37 more.

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

42 D. The ~~school facilities board~~ **DIVISION** may modify the square  
43 footage requirements prescribed in subsection C of this section or modify  
44 the amount of monies awarded to cure the square footage deficiency



1 pursuant to this section for particular school districts based on  
2 extraordinary circumstances for any of the following considerations:

- 3 1. The number of pupils served by the school district.
- 4 2. Geographic factors.
- 5 3. Grade configurations other than those prescribed in subsection C  
6 of this section.

7 E. In measuring the square footage per pupil requirements of  
8 subsection C of this section, the ~~school facilities board~~ DIVISION shall:

9 1. Use the projected one hundredth day average daily membership for  
10 the current school year.

11 2. For each school, use the lesser of either:

12 (a) Total gross square footage.

13 (b) Student capacity multiplied by the appropriate square footage  
14 per pupil prescribed by subsection C of this section.

15 3. Consider the total space available in all schools in use in the  
16 school district, except that the ~~school facilities board~~ DIVISION shall  
17 allow an exclusion of the square footage for certain schools and the  
18 pupils within the schools' boundaries if the school district demonstrates  
19 to the ~~board's~~ DIVISION'S satisfaction unusual or excessive busing of  
20 pupils or unusual attendance boundary changes between schools.

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

25 5. Include all portable and modular buildings.

26 6. Include in the net square footage new construction funded wholly  
27 or partially by the ~~school facilities board~~ DIVISION based on the square  
28 footage funded by the ~~school facilities board~~ DIVISION. If the new  
29 construction is to exceed the square footage funded by the ~~school~~  
30 ~~facilities board~~ DIVISION, the excess square footage shall not be included  
31 in the net square footage if any of the following applies:

32 (a) The excess square footage was constructed before July 1, 2002  
33 or funded by a class B bond, impact aid revenue bond or capital outlay  
34 override approved by the voters after August 1, 1998 and before June 30,  
35 2002 or funded from unrestricted capital outlay expended before June 30,  
36 2002.

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

40 (c) The excess square footage of expansions to school facilities  
41 does not exceed twenty-five percent of the minimum square footage  
42 requirements pursuant to subsection C of this section.

43 7. Exclude square footage built under a developer agreement  
44 according to section 15-342, paragraph 33 until the ~~school facilities~~

1 ~~board~~ DIVISION provides funding for the square footage under section  
2 ~~15-2041~~ 41-5741, subsection 0.

3 8. Include square footage that a school district has leased to  
4 another entity.

5 F. The ~~school facilities board~~ DIVISION shall adopt rules  
6 establishing minimum school facility adequacy guidelines. The guidelines  
7 shall provide the minimum quality and quantity of school buildings and  
8 facilities and equipment necessary and appropriate to enable pupils to  
9 achieve the academic standards pursuant to section 15-203, subsection A,  
10 paragraphs 12 and 13 and sections 15-701 and 15-701.01. At a minimum, the  
11 ~~school facilities board~~ DIVISION shall address all of the following in  
12 developing these guidelines:

- 13 1. School sites.
- 14 2. Classrooms.
- 15 3. Libraries and media centers, or both.
- 16 4. Cafeterias.
- 17 5. Auditoriums, multipurpose rooms or other multiuse space.
- 18 6. Technology.
- 19 7. Transportation.
- 20 8. Facilities for science, arts and physical education.
- 21 9. Other facilities and equipment that are necessary and  
22 appropriate to achieve the academic standards prescribed pursuant to  
23 section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and  
24 15-701.01.
- 25 10. Appropriate combinations of facilities or uses listed in this  
26 section.

27 G. THE DIVISION MAY CONVENE SUBCOMMITTEES AS NEEDED ON SPECIFIC  
28 ISSUES, INCLUDING SCHOOL FACILITY SAFETY STANDARDS. NOTWITHSTANDING ANY  
29 OTHER LAW, A SCHOOL DISTRICT THAT RECEIVES GRANT MONIES FROM THE BUILDING  
30 RENEWAL GRANT FUND ESTABLISHED BY SECTION 41-5731 OR MONIES FROM THE NEW  
31 SCHOOL FACILITIES FUND ESTABLISHED BY SECTION 41-5741 SHALL CONSIDER  
32 SCHOOL FACILITY SAFETY STANDARDS WHEN COMPLETING APPROVED PROJECTS OR  
33 CONSTRUCTING NEW SCHOOL FACILITIES WITH MONIES RECEIVED FROM THOSE FUNDS.

34 ~~G.~~ H. The ~~board~~ DIVISION shall consider the facilities and  
35 equipment of the schools with the highest academic productivity scores, as  
36 prescribed in section ~~15-2002~~ 41-5702, subsection A, paragraph ~~9~~ 6,  
37 subdivision (d), and the highest parent quality ratings in the  
38 establishment of the guidelines.

39 ~~H.~~ I. The ~~school facilities board~~ DIVISION may consider  
40 appropriate combinations of facilities or uses in ~~making assessments of~~  
41 ASSESSING and curing existing deficiencies pursuant to section ~~15-2002~~  
42 41-5702, subsection A, paragraph 1 and in certifying plans for new school  
43 facilities pursuant to section ~~15-2002~~ 41-5702, subsection A, paragraph  
44 ~~5~~ 14.

1           ~~I.~~ J. If the ~~school facilities board~~ DIVISION makes any changes to  
2 the minimum adequacy requirements prescribed in this section, the ~~board~~  
3 DIVISION shall provide a fiscal impact statement of the effect of the  
4 proposed changes to 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~~ DIVISION shall determine the student capacity for each  
9 school in conjunction with each school district, recognizing each school's  
10 allocation of space as of July 1, 1998, to achieve the academic standards  
11 prescribed pursuant to section 15-203, subsection A, paragraphs 12 and 13  
12 and sections 15-701 and 15-701.01.

13           Sec. 34. 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 DETERMINES THAT THE transfer will affect,  
24 interfere with, disrupt or reduce any capital projects that the ~~school~~  
25 ~~facilities board~~ DIVISION has approved pursuant to section ~~15-2041~~  
26 41-5741. The ~~school facilities board~~ DIVISION shall transfer to the  
27 emergency deficiencies correction fund the amount necessary each fiscal  
28 year to fulfill the requirements of this section. Within thirty days  
29 after transferring monies to the emergency deficiencies correction fund,  
30 the ~~school facilities board~~ DIVISION shall report to the director of the  
31 joint legislative budget committee and the director of the governor's  
32 office of strategic planning and budgeting the amount and source of the  
33 transfer. Monies in the emergency deficiencies correction fund are  
34 continuously appropriated and are exempt from the provisions of section  
35 35-190 relating to lapsing of appropriations.

36           B. If the ~~school facilities board~~ DIVISION determines that there  
37 are insufficient monies in the emergency deficiencies correction fund to  
38 correct an emergency, the school district may correct the emergency  
39 pursuant to section 15-907.

40           C. If a school district has an emergency, the school district shall  
41 apply to the ~~school facilities board~~ DIVISION for funding for the  
42 emergency. The school district's application shall disclose any insurance  
43 or building renewal monies available to the school district to pay for the  
44 emergency. BEFORE APPLYING TO THE DIVISION FOR FUNDING FOR THE EMERGENCY,  
45 THE SCHOOL DISTRICT GOVERNING BOARD SHALL ISSUE AN EMERGENCY DECLARATION

1 OR RESOLUTION TO BE ELIGIBLE FOR MONIES FROM THE EMERGENCY DEFICIENCIES  
2 CORRECTION FUND.

3 D. The ~~school facilities board~~ DIVISION staff shall acknowledge  
4 receipt of the school district's application for emergency deficiencies  
5 funding in writing within five business days after receiving the  
6 application. The ~~school facilities board~~ DIVISION staff shall include in  
7 the written acknowledgement of receipt to the school district any  
8 investigative, study or informational requirements from the school  
9 district, along with an estimated timeline to complete the requirements,  
10 necessary for the ~~school facilities board~~ DIVISION staff to make a  
11 ~~recommendation for~~ DECISION REGARDING funding ~~to the school facilities~~  
12 ~~board~~.

13 E. For the purposes of this section, "emergency":

14 1. Means a serious need for materials, services or construction or  
15 expenses ~~in excess of~~ THAT EXCEEDS the school district's adopted budget  
16 for the current fiscal year AND that seriously threatens the functioning  
17 of the school district, the preservation or protection of property or  
18 public health, welfare or safety.

19 2. INCLUDES ALL OF THE FOLLOWING:

20 (a) A SITUATION THAT THREATENS LIFE SERVICES SUCH AS ADEQUATE WATER  
21 SUPPLY, ENERGY AND WASTEWATER.

22 (b) A SITUATION IN WHICH A SCHOOL DISTRICT IS UNDER ORDERS FROM AN  
23 AUTHORITY HAVING JURISDICTION FOR AN UNSAFE ENVIRONMENT SUCH AS THE  
24 DEPARTMENT OF ENVIRONMENTAL QUALITY, THE OCCUPATIONAL SAFETY AND HEALTH  
25 ADMINISTRATION OR THE STATE FIRE MARSHAL.

26 (c) THE SCHOOL DISTRICT RECEIVES A PROFESSIONAL AND CERTIFIED  
27 ASSESSMENT SHOWING THAT ONE OR MORE FACILITIES OR SYSTEMS ARE STRUCTURALLY  
28 UNSAFE AND DIRECTLY IMPACT THE FUNCTIONS OF THE SCHOOL DISTRICT WITH NO  
29 ALTERNATIVE OPTION AVAILABLE.

30 Sec. 35. Section 41-5731, Arizona Revised Statutes, as transferred  
31 and renumbered, is amended to read:

32 41-5731. Building renewal grant fund; rules; definitions

33 A. The building renewal grant fund is established consisting of  
34 monies appropriated to the fund by the legislature. The ~~school facilities~~  
35 ~~board~~ DIVISION shall administer the fund and distribute monies to school  
36 districts for the purpose of maintaining the adequacy of existing school  
37 facilities. Monies in the fund are exempt from the provisions of section  
38 35-190 relating to lapsing of appropriations.

39 B. The ~~school facilities board~~ DIVISION shall distribute monies  
40 from the BUILDING RENEWAL GRANT fund based on grant requests from school  
41 districts to fund primary building renewal projects. Project requests  
42 shall be prioritized by the ~~school facilities board~~ DIVISION, with  
43 priority given to school districts that have provided routine preventive  
44 maintenance on the facility. A SCHOOL DISTRICT MUST SUBMIT A PREVENTIVE  
45 MAINTENANCE PLAN TO THE DIVISION TO BE ELIGIBLE TO RECEIVE MONIES FROM THE

1 BUILDING RENEWAL GRANT FUND. The ~~school facilities board~~ DIVISION shall  
2 approve only projects that will be completed within twelve months, unless  
3 similar projects on average take longer to complete. A GRANT ISSUED UNDER  
4 THIS SECTION EXPIRES TWELVE MONTHS AFTER THE GRANT REQUEST IS APPROVED  
5 UNLESS THE DIVISION ISSUES AN EXTENSION, EXCEPT THAT IF THE DIVISION  
6 APPROVES A PROJECT AND DETERMINES THAT SIMILAR PROJECTS ON AVERAGE TAKE  
7 LONGER THAN TWELVE MONTHS TO COMPLETE, THE DIVISION SHALL EXTEND THE GRANT  
8 EXPIRATION DATE BASED ON THE AVERAGE AMOUNT OF TIME THAT SIMILAR PROJECTS  
9 TAKE TO COMPLETE. THE DIVISION SHALL ESTABLISH A PROCESS BY WHICH A  
10 SCHOOL DISTRICT MAY REQUEST AN EXTENSION UNDER THIS SUBSECTION. ON  
11 EXPIRATION OF A GRANT, A SCHOOL DISTRICT SHALL RETURN ANY BUILDING RENEWAL  
12 GRANT FUND MONIES THAT THE SCHOOL DISTRICT HAS NOT SPENT TO THE DIVISION  
13 FOR DEPOSIT IN THE BUILDING RENEWAL GRANT FUND.

14 C. School districts that receive monies from the BUILDING RENEWAL  
15 GRANT fund shall use these monies on projects for buildings or any part of  
16 a building in the ~~school facilities board's~~ DIVISION'S database for any of  
17 the following:

18 1. Major renovations and repairs to a building that is used for  
19 student instruction or other academic purposes.

20 2. Upgrading systems and areas that will maintain or extend the  
21 useful life of the building.

22 3. Infrastructure costs.

23 D. Monies received from the fund shall not be used for any of the  
24 following purposes:

25 1. New construction.

26 2. Remodeling interior space for aesthetic or preferential reasons.

27 3. Exterior beautification.

28 4. Demolition.

29 5. Routine preventive maintenance.

30 6. Any project in a building, or part of a building, that is being  
31 leased to another entity.

32 E. Accommodation schools are not eligible for monies from the  
33 building renewal grant fund.

34 F. If the ~~school facilities board~~ DIVISION or a court of competent  
35 jurisdiction determines that a school district received monies from the  
36 building renewal grant fund that must be reimbursed to the ~~school~~  
37 ~~facilities board~~ DIVISION due to legal action associated with improper  
38 construction by a hired contractor, the school district shall reimburse  
39 the ~~school facilities board~~ DIVISION an agreed-on amount for deposit into  
40 the building renewal grant fund.

41 G. The ~~school facilities board~~ DIVISION shall categorize each  
42 project that is eligible for monies from the building renewal grant fund  
43 as either critical or noncritical. The ~~board~~ DIVISION shall adopt  
44 policies and procedures to prioritize critical projects and to designate  
45 critical projects as projects that immediately impact student safety or

1 building closures or that result in operational disruptions. Critical  
2 projects have priority over any previously approved noncritical projects.

3 H. If the ~~school facilities board~~ DIVISION determines that  
4 sufficient monies are not available for a noncritical project that the  
5 ~~board~~ DIVISION has approved, the ~~board~~ DIVISION shall notify the school  
6 district that submitted the project request that monies will be  
7 distributed from the building renewal grant fund for the project only if  
8 the legislature appropriates sufficient monies. If sufficient monies are  
9 not available in the fiscal year in which the project is awarded for a  
10 noncritical project, the noncritical project does not receive priority in  
11 the next fiscal year.

12 I. Building renewal grants pursuant to this section shall be used  
13 only for projects that serve an academic purpose.

14 J. THE DIVISION SHALL IMPLEMENT POLICIES AND PROCEDURES TO REQUIRE  
15 A SCHOOL DISTRICT TO REPORT THE PREVENTIVE MAINTENANCE ACTIVITIES  
16 COMPLETED DURING THE PREVIOUS TWELVE MONTHS FOR THE FACILITY FOR WHICH THE  
17 MONIES ARE BEING REQUESTED.

18 K. IN ADDITION TO ESTABLISHING A PROJECT ELIGIBILITY ASSESSMENT  
19 UNDER SECTION 41-5702, SUBSECTION A, PARAGRAPH 5, SUBDIVISION (b), THE  
20 DIVISION SHALL ADOPT RULES REGARDING BOTH OF THE FOLLOWING:

21 1. THE APPROVAL OF BUILDING RENEWAL GRANTS PURSUANT TO THIS  
22 SECTION.

23 2. TIME FRAMES FOR THE DIVISION REGARDING ALL OF THE FOLLOWING WITH  
24 RESPECT TO THIS SECTION:

25 (a) APPROVING OR DENYING GRANT REQUESTS FOR CRITICAL PROJECTS.

26 (b) NOTIFYING AN APPLICANT IF THE APPLICANT'S APPLICATION IS  
27 INCOMPLETE.

28 (c) PROVIDING REGULAR UPDATES TO APPLICANTS REGARDING COMPLETED  
29 APPLICATIONS.

30 (d) DISTRIBUTING MONIES FROM THE BUILDING RENEWAL GRANT FUND.

31 L. THE DIVISION MAY SPEND MONIES FROM THE FUND FOR ASSESSMENTS TO  
32 DETERMINE IF A GRANT FROM THE FUND IS WARRANTED UNDER THIS SECTION.

33 ~~J.~~ M. For the purposes of this section:

34 1. "Primary building renewal projects" means projects that are  
35 necessary for buildings owned by school districts that are required to  
36 meet the minimum adequacy standards for student capacity and that fall  
37 below the minimum school facility adequacy guidelines, as adopted by the  
38 ~~school facilities board~~ DIVISION pursuant to section ~~15-2011~~ 41-5711, for  
39 school districts that have provided routine preventive maintenance to the  
40 school facility.

41 2. "Routine preventive maintenance" means services that are  
42 performed on a regular schedule at intervals ranging from four times a  
43 year to once every three years, or on the schedule of services recommended  
44 by the manufacturer of the specific building system or equipment, and that

1 are intended to extend the useful life of a building system and reduce the  
2 need for major repairs.

3 3. "Student capacity" has the same meaning prescribed in section  
4 ~~15-2011~~ 41-5711.

5 Sec. 36. Section 41-5741, Arizona Revised Statutes, as transferred  
6 and renumbered, is amended to read:

7 41-5741. New school facilities fund; capital plan; reporting  
8 requirements

9 A. The new school facilities fund is established consisting of  
10 monies appropriated by the legislature and monies credited to the NEW  
11 SCHOOL FACILITIES fund pursuant to section 37-221. The ~~school facilities~~  
12 ~~board~~ DIVISION shall administer the NEW SCHOOL FACILITIES fund and  
13 distribute monies, as a continuing appropriation, to school districts for  
14 the purpose of constructing new school facilities and for contracted  
15 expenses pursuant to section ~~15-2002~~ 41-5702, subsection B, paragraphs 2,  
16 3 and 4. ~~On June 30 of each fiscal year, any unobligated contract monies~~  
17 ~~in the new school facilities fund shall be transferred to the capital~~  
18 ~~reserve fund established by section 15-2003.~~

19 B. The ~~school facilities board~~ DIVISION shall prescribe a uniform  
20 format for use by the school district governing board in developing and  
21 annually updating a capital plan that consists of each of the following:

22 1. Enrollment projections for the next five years for elementary  
23 schools and eight years for middle and high schools, including a  
24 description of the methods used to make the projections.

25 2. A description of new schools or additions to existing schools  
26 needed to meet the building adequacy standards prescribed in section  
27 ~~15-2011~~ 41-5711. The description shall include:

28 (a) The grade levels and the total number of pupils that the school  
29 or addition is intended to serve.

30 (b) The year in which it is necessary for the school or addition to  
31 begin operations.

32 (c) A timeline that shows the planning and construction process for  
33 the school or addition.

34 3. Long-term projections of the need for land for new schools.

35 4. Any other necessary information required by the ~~school~~  
36 ~~facilities board~~ DIVISION to evaluate a school district's capital plan.

37 5. If a school district pays tuition for all or a portion of the  
38 school district's high school pupils to another school district, the  
39 capital plan shall indicate the number of pupils for which the district  
40 pays tuition to another district. If a school district accepts pupils  
41 from another school district pursuant to section 15-824, subsection A, the  
42 school district shall indicate the projections for this population  
43 separately. This paragraph does not apply to a small isolated school  
44 district as defined in section 15-901.



1 C. If the capital plan indicates a need for a new school or an  
2 addition to an existing school within the next four years or a need for  
3 land within the next ten years, the school district shall submit its plan  
4 to the ~~school facilities board~~ DIVISION on or before September 1 and shall  
5 request monies from the new school facilities fund for the new  
6 construction or land. The ~~school facilities board~~ DIVISION may require a  
7 school district to sell land that was previously purchased entirely with  
8 monies provided by the ~~school facilities board~~ DIVISION if the ~~school~~  
9 ~~facilities board~~ DIVISION determines that the property is no longer needed  
10 within the ten-year period specified in this subsection for a new school  
11 or no longer needed within that ten-year period for an addition to an  
12 existing school. Monies provided for land are in addition to any monies  
13 provided pursuant to subsection D of this section.

14 D. The ~~school facilities board~~ DIVISION shall distribute monies  
15 from the new school facilities fund for additional square footage as  
16 follows:

17 1. The ~~school facilities board~~ DIVISION shall review and evaluate  
18 the enrollment projections. On or before December 15 of each year,  
19 following the submission of the enrollment projections, the ~~school~~  
20 ~~facilities board~~ DIVISION shall either approve the projections as  
21 submitted or revise the projections. In approving or revising the  
22 enrollment projections, the ~~school facilities board~~ DIVISION shall use the  
23 average daily membership data available during the current school  
24 year. On request from the ~~school facilities board~~ DIVISION, the  
25 department of education shall make available the most recent average daily  
26 membership data for use in revising the enrollment projections. In  
27 determining new construction requirements, the ~~school facilities board~~  
28 DIVISION shall determine the net new growth of pupils that will require  
29 additional square footage that exceeds the building adequacy standards  
30 prescribed in section ~~15-2011~~ 41-5711. If the projected growth and the  
31 existing number of pupils exceed three hundred fifty pupils who are served  
32 in a school district other than the pupil's resident school district, the  
33 ~~school facilities board~~ DIVISION, the receiving school district and the  
34 resident school district shall develop a capital facilities plan on how to  
35 best serve those pupils. A small isolated school district as defined in  
36 section 15-901 is not required to develop a capital facilities plan  
37 pursuant to this paragraph.

38 2. If the average daily membership projections indicate that  
39 additional space will not be needed within the next two school years in  
40 order to meet the building adequacy standards prescribed in section  
41 ~~15-2011~~ 41-5711, the request shall be held for consideration by the ~~school~~  
42 ~~facilities board~~ DIVISION for possible future funding and the school  
43 district shall annually submit an updated plan until the additional space  
44 is needed.



1           3. If the average daily membership projections indicate that  
2 additional space will be needed within the next two school years in order  
3 to meet the building adequacy standards prescribed in section ~~15-2011~~  
4 ~~41-5711~~, the ~~school facilities board~~ DIVISION shall provide an amount as  
5 follows:

6           (a) Determine the number of pupils requiring additional square  
7 footage to meet building adequacy standards. This amount for elementary  
8 schools shall not be less than the number of new pupils for whom space  
9 will be needed in the next year and shall not exceed the number of new  
10 pupils for whom space will be needed in the next five years. This amount  
11 for middle and high schools shall not be less than the number of new  
12 pupils for whom space will be needed in the next four years and shall not  
13 exceed the number of new pupils for whom space will be needed in the next  
14 eight years.

15           (b) Multiply the number of pupils determined in subdivision (a) of  
16 this paragraph by the square footage per pupil. The square footage per  
17 pupil is ninety square feet per pupil for preschool children with  
18 disabilities, kindergarten programs and grades one through six, one  
19 hundred square feet for grades seven and eight, one hundred thirty-four  
20 square feet for a school district that provides instruction in grades nine  
21 through twelve for fewer than one thousand eight hundred pupils and one  
22 hundred twenty-five square feet for a school district that provides  
23 instruction in grades nine through twelve for at least one thousand eight  
24 hundred pupils. The total number of pupils in grades nine through twelve  
25 in the district shall determine the square footage factor to use for net  
26 new pupils. The ~~school facilities board~~ DIVISION may modify the square  
27 footage requirements prescribed in this subdivision for particular schools  
28 based on any of the following factors:

29           (i) The number of pupils served or projected to be served by the  
30 school district.

31           (ii) Geographic factors.

32           (iii) Grade configurations other than those prescribed in this  
33 subdivision.

34           (iv) Compliance with minimum school facility adequacy requirements  
35 established pursuant to section ~~15-2011~~ 41-5711.

36           (c) Multiply the product obtained in subdivision (b) of this  
37 paragraph by the cost per square foot. The cost per square foot is \$90  
38 for preschool children with disabilities, kindergarten programs and grades  
39 one through six, \$95 for grades seven and eight and \$110 for grades nine  
40 through twelve. The cost per square foot shall be adjusted annually for  
41 construction market considerations based on an index identified or  
42 developed by the joint legislative budget committee as necessary but not  
43 less than once each year. The ~~school facilities board~~ DIVISION shall  
44 multiply the cost per square foot by 1.05 for any school district located  
45 in a rural area. The ~~school facilities board~~ DIVISION may only modify the

1 base cost per square foot prescribed in this subdivision for particular  
2 schools based on geographic conditions or site conditions. ANY EXTRA  
3 MONIES RECEIVED AS A RESULT OF A MODIFICATION BASED ON GEOGRAPHIC  
4 CONDITIONS OR SITE CONDITIONS MAY BE USED TO ADDRESS UNFORESEEN COSTS AT  
5 ANY STAGE OF A PROJECT UNDER THIS SECTION. For the purposes of this  
6 subdivision, "rural area" means an area outside a thirty-five-mile radius  
7 of a boundary of a municipality with a population of more than fifty  
8 thousand persons.

9 (d) Once the school district governing board obtains approval from  
10 the ~~school facilities board~~ DIVISION for new facility construction monies,  
11 additional portable or modular square footage created for the express  
12 purpose of providing temporary space for pupils until the completion of  
13 the new facility and any additional space funded by the school district  
14 shall not be included by the ~~school facilities board~~ DIVISION for the  
15 purpose of new construction funding calculations. On completion of the  
16 new facility construction project, any additional space funded by the  
17 school district shall be included as prescribed by this chapter and, if  
18 the portable or modular facilities continue in use, the portable or  
19 modular facilities shall be included as prescribed by this chapter, unless  
20 the ~~school facilities board~~ DIVISION approves their continued use for the  
21 purpose of providing temporary space for pupils until the completion of  
22 the next new facility that has been approved for funding from the new  
23 school facilities fund.

24 4. For projects approved after December 31, 2001, and  
25 notwithstanding paragraph 3 of this subsection, a unified school district  
26 that does not have a high school is not eligible to receive high school  
27 space as prescribed by section ~~15-2011~~ 41-5711 and this section unless the  
28 unified district qualifies for geographic factors prescribed by paragraph  
29 3, subdivision (b), item (ii) of this subsection.

30 5. If a career technical education district leases a building from  
31 a school district, that building shall be included in the school  
32 district's square footage calculation for the purposes of new construction  
33 pursuant to this section.

34 6. If a school district leases a building to another entity, that  
35 building shall be included in the school district's square footage  
36 calculation for purposes of new construction pursuant to this section.

37 7. A school district shall qualify for monies from the new school  
38 facilities fund for additional square footage in a fiscal year only if the  
39 ~~school facilities board~~ DIVISION has approved or revised its enrollment  
40 projection under paragraph 1 of this subsection on or before December 15  
41 of the prior fiscal year.

42 E. Monies for architectural and engineering fees, project  
43 management services and preconstruction services shall be distributed on  
44 the completion of the analysis by the ~~school facilities board~~ DIVISION of  
45 the school district's request. After receiving monies pursuant to this

1 subsection, the school district shall submit a design development plan for  
2 the school or addition to the ~~school facilities board~~ DIVISION before any  
3 monies for construction are distributed. If the school district's request  
4 meets the building adequacy standards, the ~~school facilities board~~  
5 DIVISION may review and comment on the district's plan with respect to the  
6 efficiency and effectiveness of the plan in meeting state square footage  
7 and facility standards before distributing the remainder of the  
8 monies. If the ~~school facilities board~~ DIVISION modifies the cost per  
9 square foot as prescribed in subsection D, paragraph 3, subdivision (c) of  
10 this section, the ~~school facilities board~~ DIVISION may deduct the cost of  
11 project management services and preconstruction services from the required  
12 cost per square foot. The ~~school facilities board~~ DIVISION may decline to  
13 fund the project if the square footage is no longer required due to  
14 revised enrollment projections. The ~~school facilities board~~ DIVISION may  
15 decline a portion of the funding if a portion of the square footage is no  
16 longer needed due to revised enrollment projections.

17 F. The ~~school facilities board~~ DIVISION shall distribute the monies  
18 needed for land for new schools so that land may be purchased at a price  
19 that is less than or equal to fair market value and in advance of the  
20 construction of the new school. If necessary, the ~~school facilities board~~  
21 DIVISION may distribute monies for land to be leased for new schools if  
22 the duration of the lease exceeds the life expectancy of the school  
23 facility by at least fifty percent. A school district shall not use land  
24 purchased or partially purchased with monies provided by the ~~school~~  
25 ~~facilities board~~ DIVISION for a purpose other than a site for a school  
26 facility without obtaining prior written approval from the ~~school~~  
27 ~~facilities board~~ DIVISION. A school district shall not lease, sell or  
28 take any action that would diminish the value of land purchased or  
29 partially purchased with monies provided by the ~~school facilities board~~  
30 DIVISION without obtaining prior written approval from the ~~school~~  
31 ~~facilities board~~ DIVISION. The proceeds derived through the sale of any  
32 land purchased or partially purchased, or the sale of buildings funded or  
33 partially funded, with monies provided by the ~~school facilities board~~  
34 DIVISION shall be returned to the state fund from which it was  
35 appropriated and to any other participating entity on a proportional  
36 basis. Except as provided in section 15-342, paragraph 33, if a school  
37 district acquires real property by donation at an appropriate school site  
38 approved by the ~~school facilities board~~ DIVISION, the ~~school facilities~~  
39 ~~board~~ DIVISION shall distribute an amount equal to twenty percent of the  
40 fair market value of the donated real property that can be used for  
41 academic purposes. The school district shall place the monies in the  
42 unrestricted capital outlay fund and increase the unrestricted capital  
43 budget limit by the amount of monies placed in the fund. Monies  
44 distributed under this subsection shall be distributed from the new school  
45 facilities fund. A school district that receives monies from the new

1 school facilities fund for a donation of land pursuant to section 15-342,  
2 paragraph 33 shall not receive monies from the ~~school facilities board~~  
3 **DIVISION** for the donation of real property pursuant to this subsection. A  
4 school district shall not pay a consultant a percentage of the value of  
5 any of the following:

6 1. Donations of real property, services or cash from any of the  
7 following:

8 (a) Entities that have offered to provide construction services to  
9 the school district.

10 (b) Entities that have been contracted to provide construction  
11 services to the school district.

12 (c) Entities that build residential units in that school district.

13 (d) Entities that develop land for residential use in that school  
14 district.

15 2. Monies received ~~from the school facilities board~~ **UNDER THIS**  
16 **CHAPTER** on behalf of the school district.

17 3. Monies paid by the ~~school facilities board~~ **DIVISION** on behalf of  
18 the school district.

19 G. In addition to distributions to school districts based on pupil  
20 growth projections, a school district may submit an application to the  
21 ~~school facilities board~~ **DIVISION** for monies from the new school facilities  
22 fund if one or more school buildings have outlived their useful life **OR**  
23 **HAVE BEEN CONDEMNED**. If the ~~school facilities board~~ **DIVISION** determines  
24 that the school district needs to build a new school building for these  
25 reasons, the ~~school facilities board~~ **DIVISION** shall remove the square  
26 footage computations that represent the building from the computation of  
27 the school district's total square footage for purposes of this  
28 section. If the square footage recomputation reflects that the school  
29 district no longer meets building adequacy standards, the school district  
30 qualifies for a distribution of monies from the new school construction  
31 formula in an amount determined pursuant to subsection D of this section.  
32 The ~~school facilities board~~ **DIVISION** may only modify the base cost per  
33 square foot prescribed in this subsection under extraordinary  
34 circumstances for geographic factors or site conditions.

35 H. School districts that receive monies from the new school  
36 facilities fund shall establish a district new school facilities fund and  
37 shall use the monies in the district new school facilities fund only for  
38 the purposes prescribed in this section. By October 15 of each year, each  
39 school district shall report to the ~~school facilities board~~ **DIVISION** the  
40 projects funded at each school in the previous fiscal year with monies  
41 from the district new school facilities fund and shall provide an  
42 accounting of the monies remaining in the new school facilities fund at  
43 the end of the previous fiscal year.

44 I. If a school district has surplus monies received from the new  
45 school facilities fund, the school district may use the surplus monies

1 only for capital purposes for the project for up to one year after  
2 completion of the project. If the school district possesses surplus  
3 monies from the new school construction project that have not been  
4 expended within one year of the completion of the project, the school  
5 district shall return the surplus monies to the ~~school facilities board~~  
6 DIVISION for deposit in the new school facilities fund.

7 J. The ~~board's~~ DIVISION'S consideration of any application filed  
8 after December 31 of the year in which the property becomes territory in  
9 the vicinity of a military airport or ancillary military facility as  
10 defined in section 28-8461 for monies to fund the construction of new  
11 school facilities proposed to be located in territory in the vicinity of a  
12 military airport or ancillary military facility shall include, if after  
13 notice is transmitted to the military airport pursuant to section ~~15-2002~~  
14 41-5702 and before the public hearing the military airport provides  
15 comments and an analysis concerning compatibility of the proposed school  
16 facilities with the high noise or accident potential generated by military  
17 airport or ancillary military facility operations that may have an adverse  
18 effect on public health and safety, consideration and an analysis of the  
19 comments and an analysis provided by the military airport before making a  
20 final determination.

21 K. If a school district uses its own project manager for new school  
22 construction, the members of the school district governing board and the  
23 project manager shall sign an affidavit stating that the members and the  
24 project manager understand and will follow the minimum adequacy  
25 requirements prescribed in section ~~15-2011~~ 41-5711.

26 L. The ~~school facilities board~~ DIVISION shall establish a separate  
27 account in the new school facilities fund designated as the litigation  
28 account to pay attorney fees, expert witness fees and other costs  
29 associated with litigation in which the ~~school facilities board~~ DIVISION  
30 pursues the recovery of damages for deficiencies correction that resulted  
31 from alleged construction defects or design defects that the ~~school~~  
32 ~~facilities board~~ DIVISION believes caused or contributed to a failure of  
33 the school building to conform to the building adequacy requirements  
34 prescribed in section ~~15-2011~~ 41-5711. Attorney fees paid pursuant to  
35 this subsection shall not exceed the market rate for similar types of  
36 litigation. On or before December 1 of each year, the ~~school facilities~~  
37 ~~board~~ DIVISION shall report to the joint committee on capital review the  
38 costs associated with current and potential litigation that may be paid  
39 from the litigation account.

40 M. Until the state board of education and the auditor general adopt  
41 rules pursuant to section 15-213, subsection J, the ~~school facilities~~  
42 ~~board~~ DIVISION may allow school districts to contract for construction  
43 services and materials through the qualified select bidders list method of  
44 project delivery for new school facilities pursuant to this section.

1 N. The ~~school facilities board~~ DIVISION shall submit electronically  
2 a report on project management services and preconstruction services to  
3 the governor, the president of the senate and the speaker of the house of  
4 representatives by December 31 of each year. The report shall compare  
5 projects that use project management and preconstruction services with  
6 those that do not. The report shall address cost, schedule and other  
7 measurable components of a construction project. School districts,  
8 construction-manager-at-risk firms and project management firms that  
9 participate in a ~~school facilities board funded~~ DIVISION-FUNDED project  
10 shall provide the information required by the ~~school facilities board~~  
11 DIVISION in relation to this report.

12 O. If a school district constructs new square footage according to  
13 section 15-342, paragraph 33, the ~~school facilities board~~ DIVISION shall  
14 review the design plans and location of any new school facility submitted  
15 by school districts and another party to determine whether the design  
16 plans comply with the adequacy standards prescribed in section ~~15-2011~~  
17 ~~41-5711~~ and the square footage per pupil requirements pursuant to  
18 subsection D, paragraph 3, subdivision (b) of this section. When the  
19 school district qualifies for a distribution of monies from the new school  
20 facilities fund according to this section, the ~~school facilities board~~  
21 DIVISION shall distribute monies to the school district from the new  
22 school facilities fund for the square footage constructed under section  
23 15-342, paragraph 33 at the same cost per square foot established by this  
24 section that was in effect at the time of the beginning of the  
25 construction of the school facility. Before the ~~school facilities board~~  
26 DIVISION distributes any monies pursuant to this subsection, the school  
27 district shall demonstrate to the ~~school facilities board~~ DIVISION that  
28 the facilities to be funded pursuant to this section meet the minimum  
29 adequacy standards prescribed in section ~~15-2011~~ 41-5711. The agreement  
30 entered into pursuant to section 15-342, paragraph 33 shall set forth the  
31 procedures for the allocation of these funds to the parties that  
32 participated in the agreement.

33 P. Accommodation schools are not eligible for monies from the new  
34 school facilities fund.

35 Q. If the ~~school facilities board~~ DIVISION approves a school  
36 district for funding from the new school facilities fund and the full  
37 legislative appropriation is not available to the school district in the  
38 fiscal year following the approval by the ~~school facilities board~~  
39 DIVISION, the school district may use any legally available monies to pay  
40 for the land or the new construction project approved by the ~~school~~  
41 ~~facilities board~~ DIVISION and may reimburse the fund from which the monies  
42 were used in subsequent years with legislative appropriations when those  
43 appropriations are made available by this state.

1 Sec. 37. Section 41-5751, Arizona Revised Statutes, as transferred  
2 and renumbered, is amended to read:

3 41-5751. Authorization of state school facilities revenue  
4 bonds

5 A. The ~~school facilities board~~ DIVISION may issue negotiable  
6 revenue bonds pursuant to this article. If authorized by the legislature,  
7 bonds may be issued under this article in a principal amount not exceeding  
8 ~~two hundred million dollars~~ \$200,000,000 in a fiscal year to:

9 1. Provide monies to pay the cost of:

10 (a) Acquiring real property and constructing new school facilities  
11 as provided by section ~~15-2041~~ 41-5741.

12 (b) Bond related expenses including any expenses incurred by the  
13 ~~school facilities board~~ DIVISION to issue and administer its bonds  
14 including underwriting fees and costs, trustee fees, financial consultant  
15 fees, printing and advertising costs, paying agent fees, transfer agent  
16 fees, legal, accounting, feasibility consultant and other professional  
17 fees and expenses, bond insurance or other credit enhancements or  
18 liquidity facilities, attorney and accounting fees and expenses related to  
19 credit enhancement, bond insurance or liquidity enhancement, remarketing  
20 fees, rating agency fees and costs, travel and telephone expenses and all  
21 other fees considered necessary by the ~~school facilities board~~ DIVISION in  
22 order to market and administer the bonds.

23 2. Fully or partially fund any reserves or sinking accounts  
24 established by the bond resolution.

25 B. The ~~school facilities board~~ DIVISION shall authorize the bonds  
26 by resolution. The resolution shall prescribe:

27 1. The fixed or variable rate or rates of interest, the date or  
28 dates on which interest is payable and the denominations of the bonds.

29 2. The date or dates of the bonds and maturity, within ten years  
30 after the date of issuance.

31 3. The form of the bonds.

32 4. The manner of executing the bonds.

33 5. The medium and place of payment.

34 6. The terms of redemption, which may provide for a premium for  
35 early redemption.

36 C. The bonds issued pursuant to this article shall be known as  
37 state school facilities revenue bonds.

38 Sec. 38. Section 41-5752, Arizona Revised Statutes, as transferred  
39 and renumbered, is amended to read:

40 41-5752. Issuance and sale of revenue bonds

41 A. The ~~school facilities board~~ DIVISION shall issue the bonds in  
42 the number and amount provided in the resolution.

43 B. The bonds shall be sold at public or private sale at the price  
44 and on the terms prescribed in the resolution at, above or below par.



1 C. The net proceeds of the sale of the bonds shall be deposited in  
2 the revenue bond proceeds fund established pursuant to section ~~15-2053~~  
3 41-5753.

4 Sec. 39. Section 41-5753, Arizona Revised Statutes, as transferred  
5 and renumbered, is amended to read:

6 41-5753. School facilities revenue bond proceeds fund; use  
7 for new school facilities

8 A. If the ~~school facilities board~~ DIVISION issues revenue bonds  
9 under this article, the ~~board~~ DIVISION shall establish a school facilities  
10 revenue bond proceeds fund consisting of the net proceeds received from  
11 the sale of the bonds.

12 B. The ~~school facilities board~~ DIVISION may use monies in the  
13 school facilities revenue bond proceeds fund only for the purposes  
14 provided in section ~~15-2051~~ 41-5751, subsection A. Monies in the revenue  
15 bond proceeds fund are exempt from lapsing under section 35-190.

16 C. The state treasurer or bond trustee shall administer and account  
17 for the school facilities revenue bond proceeds fund.

18 Sec. 40. Section 41-5754, Arizona Revised Statutes, as transferred  
19 and renumbered, is amended to read:

20 41-5754. School facilities revenue bond debt service fund

21 A. The ~~school facilities board~~ DIVISION shall establish a school  
22 facilities revenue bond debt service fund consisting of monies transferred  
23 to the fund pursuant to sections 37-521 and 42-5030.01.

24 B. Monies in the school facilities revenue bond debt service fund  
25 may be used only for the purposes authorized by this article.

26 C. The state treasurer or bond trustee shall administer and account  
27 for the school facilities revenue bond debt service fund.

28 Sec. 41. Section 41-5755, Arizona Revised Statutes, as transferred  
29 and renumbered, is amended to read:

30 41-5755. Securing principal and interest

31 A. In connection with issuing bonds authorized by this article and  
32 to secure the principal and interest on the bonds, the ~~school facilities~~  
33 ~~board~~ DIVISION by resolution may:

34 1. Segregate the school facilities revenue bond debt service fund  
35 into one or more accounts and subaccounts and provide that bonds issued  
36 under this article may be secured by a lien on all or part of the monies  
37 paid into the school facilities revenue bond debt service fund or into any  
38 account or subaccount in the fund.

39 2. Provide that the bonds issued under this article are secured by  
40 a first lien on the monies paid into the school facilities revenue bond  
41 debt service fund as provided by section 37-521, subsection B, paragraph 1  
42 and section 42-5030.01, and pledge and assign to or in trust for the  
43 benefit of the holder or holders of the bonds all or part of the monies in  
44 the school facilities revenue bond debt service fund, any account or  
45 subaccount in the fund or in the school facilities revenue bond proceeds



1 fund as is necessary to secure and pay the principal, the interest and any  
2 premium on the bonds as they come due.

3 3. Establish priorities among bondholders based on criteria adopted  
4 by the ~~board~~ DIVISION.

5 4. Set aside, regulate and dispose of reserves and sinking  
6 accounts.

7 5. Prescribe the procedure, if any, by which the terms of any  
8 contract with bondholders may be amended or abrogated, the amount of bonds  
9 the holders of which must consent to and the manner in which the consent  
10 may be given.

11 6. Provide for payment of bond related expenses from the proceeds  
12 of the sale of the bonds or other revenues authorized by this article and  
13 available to the ~~board~~ DIVISION.

14 7. Provide for the services of trustees, cotrustees, agents and  
15 consultants and other specialized services with respect to the bonds.

16 8. Take any other action that in any way may affect the security  
17 and protection of the bonds or interest on the bonds.

18 9. Refund any bonds issued by the ~~board~~ DIVISION, if these bonds  
19 are secured from the same source of revenues as the bonds authorized by  
20 this article, by issuing new bonds.

21 10. Issue bonds partly to refund outstanding bonds and partly for  
22 any other purpose consistent with this article.

23 B. Bonds issued to refund any bonds issued by the ~~board~~ DIVISION as  
24 provided by subsection A, paragraphs 9 and 10 of this section are not  
25 subject to legislative authorization or the ~~two hundred million dollar~~  
26 ~~limitation~~ \$200,000,000 LIMIT prescribed by section ~~15-2051~~ 41-5751,  
27 subsection A.

28 Sec. 42. Section 41-5756, Arizona Revised Statutes, as transferred  
29 and renumbered, is amended to read:

30 41-5756. Lien of pledge

31 A. Any pledge made under this article is valid and binding from the  
32 time when the pledge is made.

33 B. The monies so pledged and received by the ~~board~~ DIVISION to be  
34 placed in the school facilities revenue bond debt service fund are  
35 immediately subject to the lien of the pledge without any future physical  
36 delivery or further act. Any lien of any pledge is valid and binding  
37 against all parties that have claims of any kind against the ~~board~~  
38 DIVISION, regardless of whether the parties have notice of the lien. The  
39 official resolution or trust indenture or any instrument by which this  
40 pledge is created, when adopted by the ~~board~~ DIVISION, is notice to all  
41 concerned of the creation of the pledge, and those instruments need not be  
42 recorded in any other place to perfect the pledge.

1           Sec. 43. Section 41-5757, Arizona Revised Statutes, as transferred  
2 and renumbered, is amended to read:

3           41-5757. Bond purchase; cancellation

4           The ~~school facilities board~~ DIVISION may purchase bonds for  
5 cancellation out of any monies available for the purchase, at a price of  
6 not more than either of the following:

7           1. If the bonds are redeemable at the time of the purchase, the  
8 applicable redemption price plus accrued interest to the next interest  
9 payment date on the bonds.

10          2. If the bonds are not redeemable at the time of the purchase, the  
11 applicable redemption price on the first date after the purchase on which  
12 the bonds become subject to redemption plus accrued interest to that date.

13          Sec. 44. Section 41-5758, Arizona Revised Statutes, as transferred  
14 and renumbered, is amended to read:

15          41-5758. Payment of revenue bonds

16          A. The revenue bonds shall be paid solely from monies from the  
17 school facilities revenue bond debt service fund established by section  
18 ~~15-2054~~ 41-5754 and other monies that are credited to the school  
19 facilities revenue bond debt service fund.

20          B. The state treasurer or the paying agent for the revenue bonds  
21 shall cancel all revenue bonds when paid.

22          Sec. 45. Section 41-5759, Arizona Revised Statutes, as transferred  
23 and renumbered, is amended to read:

24          41-5759. Investment of monies in school facilities revenue  
25 bond proceeds fund

26          A. As provided by section ~~15-2062~~ 41-5761, the ~~school facilities~~  
27 ~~board~~ DIVISION may authorize the state treasurer or bond trustee to invest  
28 monies in the school facilities revenue bond proceeds fund established by  
29 section ~~15-2053~~ 41-5753.

30          B. The order directing an investment shall state a specified time  
31 when the proceeds from the sale of the bonds will be used. The state  
32 treasurer or bond trustee shall make the investment in such a way as to  
33 mature at the specified date.

34          C. All monies earned as interest or otherwise derived from the  
35 investment of the monies in the school facilities revenue bond proceeds  
36 fund shall be credited to the school facilities revenue bond debt service  
37 fund established by section ~~15-2054~~ 41-5754.

38          Sec. 46. Section 41-5760, Arizona Revised Statutes, as transferred  
39 and renumbered, is amended to read:

40          41-5760. Investment of monies in school facilities revenue  
41 bond debt service fund

42          A. The ~~school facilities board~~ DIVISION may authorize the state  
43 treasurer or bond trustee to invest and reinvest any monies in the school  
44 facilities revenue bond debt service fund as provided by section ~~15-2062~~  
45 41-5761.

1 B. All monies earned as interest or otherwise derived from the  
2 investment of the monies in the school facilities revenue bond debt  
3 service fund shall be credited to that fund.

4 Sec. 47. Section 41-5761, Arizona Revised Statutes, as transferred  
5 and renumbered, is amended to read:

6 41-5761. Authorized investments of fund monies

7 A. On notice from the ~~school facilities board~~ **DIVISION**, the state  
8 treasurer or bond trustee shall invest and divest monies in either the  
9 school facilities revenue bond proceeds fund or the school facilities  
10 revenue debt service fund in any of the following:

11 1. Obligations issued or guaranteed by the United States or any of  
12 the senior debt of its agencies, sponsored agencies, corporations,  
13 sponsored corporations or instrumentalities.

14 2. State, county or municipal bonds issued in this state on which  
15 the payments of interest have not been deferred.

16 3. Investment agreements and repurchase agreements collateralized  
17 by investments described in paragraph 1 **OF THIS SUBSECTION**.

18 B. The purchase of the securities shall be made by the state  
19 treasurer or bond trustee on authority of a resolution of the ~~board~~  
20 **DIVISION**. The treasurer or bond trustee shall act as custodian of all  
21 securities purchased. The securities may be sold on an order of the ~~board~~  
22 **DIVISION**.

23 Sec. 48. Section 41-5762, Arizona Revised Statutes, as transferred  
24 and renumbered, is amended to read:

25 41-5762. Characteristics of bonds; negotiability; exemption  
26 from taxation; obligation; legal investments

27 A. Bonds issued under this article are fully negotiable within the  
28 meaning and for all purposes of the uniform commercial code, subject only  
29 to any provisions for registration, regardless of whether the bonds  
30 actually constitute negotiable instruments under the uniform commercial  
31 code.

32 B. The bonds, their transfer and the income from the bonds are at  
33 all times free from taxation in this state.

34 C. Bonds issued under this article:

35 1. Are obligations of the ~~board~~ **DIVISION**. The ~~members~~ **EMPLOYEES** of  
36 the ~~board~~ **DIVISION** and persons executing the bonds are not personally  
37 liable for payment of the bonds.

38 2. Are payable only according to their terms.

39 3. Are not general, special or other obligations of this state.

40 4. Do not constitute a debt of this state.

41 5. Are not enforceable against this state, ~~nor is~~ **AND** payment of  
42 the bonds **IS NOT** enforceable out of any monies other than the revenue  
43 pledged and assigned to, or in trust for the benefit of, the holder or  
44 holders of the bonds.

1           6. Are securities in which public officers and bodies of this state  
2 and of municipalities and political subdivisions of this state, all  
3 companies, associations and other persons carrying on an insurance  
4 business, all financial institutions, investment companies and other  
5 persons carrying on a banking business, all fiduciaries and all other  
6 persons who are authorized to invest in government obligations may  
7 properly and legally invest.

8           7. Are securities that may be deposited with public officers or  
9 bodies of this state and municipalities and political subdivisions of this  
10 state for purposes that require the deposit of government bonds or  
11 obligations.

12           Sec. 49. Section 41-5763, Arizona Revised Statutes, as transferred  
13 and renumbered, is amended to read:

14           41-5763. Effect of changing circumstances on bonds; agreement  
15 of state

16           A. Bonds issued under this article remain valid and binding  
17 obligations of the ~~board~~ DIVISION notwithstanding that, before the  
18 delivery of the bonds, any of the persons whose signatures appear on the  
19 bonds cease to be members of the ~~school facilities board~~ DIVISION.

20           B. An amendment of any provision of this article does not diminish  
21 or impair the validity of bonds issued under this article or the remedies  
22 and rights of bondholders.

23           C. This state pledges to and agrees with the holders of the bonds  
24 authorized by this article that this state will not limit, alter or impair  
25 the rights and remedies of the bondholders, until all bonds issued under  
26 this article, together with interest on the bonds, interest on any unpaid  
27 installments of principal or interest and all costs and expenses in  
28 connection with any action or proceedings by or on behalf of the  
29 bondholders, are fully met and discharged. The ~~board~~ DIVISION, as agent  
30 for this state, may include this pledge and undertaking in its resolutions  
31 and indentures authorizing and securing the bonds.

32           Sec. 50. Section 41-5764, Arizona Revised Statutes, as transferred  
33 and renumbered, is amended to read:

34           41-5764. Validity of bonds; certification by attorney general

35           A. This article constitutes full authority for authorizing and  
36 issuing bonds without reference to any other law of this state. No other  
37 law with regard to authorizing or issuing obligations or that in any way  
38 impedes or restricts performing the acts authorized by this article may be  
39 construed to apply to any proceedings taken or acts done pursuant to this  
40 article.

41           B. The validity of bonds issued under this article does not depend  
42 on and is not affected by the legality of any proceeding relating to any  
43 action by the ~~school facilities board~~ DIVISION in granting or lending  
44 monies or the acquisition, construction or improvement of any facility  
45 paid with monies provided by the ~~board~~ DIVISION.

1 C. The ~~school facilities board~~ DIVISION may submit to the attorney  
2 general revenue bonds to be issued under this article after all  
3 proceedings for authorizing the bonds have been completed. Within fifteen  
4 days after submission, the attorney general shall examine the bonds and  
5 pass on the validity of the bonds and the regularity of the proceedings.  
6 If the bonds and proceedings comply with the Constitution of Arizona and  
7 this article, and if the bonds when delivered and paid for will constitute  
8 binding and legal obligations of the ~~board~~ DIVISION, the attorney general  
9 shall certify in substance that the bonds are issued according to the  
10 constitution and laws of this state. The certificate shall also state  
11 that the bonds are also validly secured by the obligation to transfer  
12 monies from designated sources of revenue, including income on the  
13 permanent state school fund established by section 37-521, to cover any  
14 insufficiencies.

15 D. The bonds shall recite that they are regularly issued pursuant  
16 to this article. That recital, together with the certification by the  
17 attorney general under subsection C of this section, constitutes prima  
18 facie evidence of the legality and validity of the bonds. From and after  
19 the sale and delivery of the bonds, they are incontestable by the ~~school~~  
20 ~~facilities board~~ DIVISION or this state.

21 Sec. 51. Section 41-5781, Arizona Revised Statutes, as transferred  
22 and renumbered, is amended to read:

23 41-5781. Authorization of state school improvement revenue  
24 bonds; expiration

25 A. The ~~school facilities board~~ DIVISION may issue revenue bonds in  
26 a principal amount not to exceed ~~eight hundred million dollars~~  
27 \$800,000,000 pursuant to this article. The ~~school facilities board~~  
28 DIVISION may also issue qualified zone academy bonds within the meaning of  
29 section 1397e of the United States internal revenue code of 1986 or  
30 successor provisions pursuant to this article in a principal amount not to  
31 exceed ~~twenty million dollars~~ \$20,000,000. The qualified zone academy  
32 bonds shall be separately accounted for within the school improvement  
33 revenue bond proceeds fund established by section ~~15-2083~~ 41-5783. All  
34 bonds authorized by this section may be issued for the following purposes:

35 1. To provide monies to pay the cost of:  
36 ~~(a) Correcting existing deficiencies as prescribed by section~~  
37 ~~15-2021.~~

38 ~~(b) Bond related~~ BOND-RELATED expenses, including any expenses  
39 incurred by the ~~school facilities board~~ DIVISION to issue and administer  
40 its bonds, including underwriting fees and costs, trustee fees, financial  
41 consultant fees, printing and advertising costs, paying agent fees,  
42 transfer agent fees, legal, accounting, feasibility consultant and other  
43 professional fees and expenses, bond insurance or other credit  
44 enhancements or liquidity facilities, attorney and accounting fees and  
45 expenses related to credit enhancement, bond insurance or liquidity

1 enhancement, remarketing fees, rating agency fees and costs, travel and  
2 telephone expenses and all other fees considered necessary by the ~~school~~  
3 ~~facilities board~~ DIVISION in order to market and administer the bonds.

4 2. To fully or partially fund any reserves or sinking accounts  
5 established by the bond resolution.

6 B. The ~~school facilities board~~ DIVISION shall authorize the bonds  
7 by resolution. The resolution shall prescribe:

8 1. The fixed or variable rate or rates of interest, the date or  
9 dates on which interest is payable and the denominations of the bonds.

10 2. The date or dates of the bonds and maturity, within twenty years  
11 after the date of issuance.

12 3. The form of the bonds.

13 4. The manner of executing the bonds.

14 5. The medium and place of payment.

15 6. The terms of redemption, which may provide for a premium for  
16 early redemption.

17 C. The bonds issued pursuant to this article shall be known as  
18 state school improvement revenue bonds.

19 D. The authority of the ~~school facilities board~~ DIVISION to issue  
20 school improvement revenue bonds pursuant to this article expires from and  
21 after June 30, 2003, except for bonds issued to refund any bonds issued by  
22 the ~~board~~ DIVISION.

23 Sec. 52. Section 41-5782, Arizona Revised Statutes, as transferred  
24 and renumbered, is amended to read:

25 41-5782. Issuance and sale of school improvement revenue  
26 bonds

27 A. The ~~school facilities board~~ DIVISION shall issue the school  
28 improvement revenue bonds in the number and amount provided in the  
29 resolution.

30 B. The bonds shall be sold at public or private sale at the price  
31 and on the terms prescribed in the resolution at, above or below par.

32 C. The net proceeds of the sale of the bonds shall be deposited in  
33 the school improvement revenue bond proceeds fund established pursuant to  
34 section ~~15-2083~~ 41-5783.

35 Sec. 53. Section 41-5783, Arizona Revised Statutes, as transferred  
36 and renumbered, is amended to read:

37 41-5783. School improvement revenue bond proceeds fund; use  
38 for school improvements

39 A. If the ~~school facilities board~~ DIVISION issues revenue bonds  
40 under this article, the ~~board~~ DIVISION shall establish a school  
41 improvement revenue bond proceeds fund consisting of the net proceeds  
42 received from the sale of the bonds.

43 B. The ~~school facilities board~~ DIVISION may use monies in the  
44 school improvement revenue bond proceeds fund only for the purposes  
45 provided in section ~~15-2081~~ 41-5781, subsection A. Monies in the school

1 improvement revenue bond proceeds fund are exempt from lapsing under  
2 section 35-190.

3 C. The state treasurer or bond trustee shall administer and account  
4 for the school improvement revenue bond proceeds fund.

5 Sec. 54. Section 41-5784, Arizona Revised Statutes, as transferred  
6 and renumbered, is amended to read:

7 41-5784. School improvement revenue bond debt service fund

8 A. The ~~school facilities board~~ DIVISION shall establish a school  
9 improvement revenue bond debt service fund consisting of monies received  
10 by the ~~school facilities board~~ DIVISION pursuant to section 42-5029,  
11 subsection E, ~~section 42-5029.02, subsection A, paragraph 1~~ and section  
12 37-521, subsection B, paragraph 1. All monies received pursuant to  
13 section 42-5029, subsection E ~~and section 42-5029.02, subsection A,~~  
14 ~~paragraph 1~~ shall be accounted for separately and shall be used only for  
15 debt service of school improvement revenue bonds. All monies received  
16 pursuant to section 37-521, subsection B, paragraph 1 shall be accounted  
17 for separately and shall be used only for debt service of qualified zone  
18 academy bonds.

19 B. Monies in the school improvement revenue bond debt service fund  
20 may be used only for the purposes authorized by this article.

21 C. The state treasurer or bond trustee shall administer and account  
22 for the school improvement revenue bond debt service fund.

23 Sec. 55. Section 41-5785, Arizona Revised Statutes, as transferred  
24 and renumbered, is amended to read:

25 41-5785. Securing principal and interest

26 A. In connection with issuing bonds authorized by this article and  
27 to secure the principal and interest on the bonds, the ~~school facilities~~  
28 ~~board~~ DIVISION by resolution may:

29 1. Segregate the school improvement revenue bond debt service fund  
30 into one or more accounts and subaccounts and provide that bonds issued  
31 under this article may be secured by a lien on all or part of the monies  
32 paid into the revenue bond debt service fund or into any account or  
33 subaccount in the fund.

34 2. Provide that the bonds issued under this article ~~are~~ BE secured  
35 by a first lien on the monies paid into the school improvement revenue  
36 bond debt service fund as provided by section 42-5029, subsection E,  
37 paragraph 1 ~~and section 42-5029.02, subsection A, paragraph 1~~ and pledge  
38 and assign to or in trust for the benefit of the holder or holders of the  
39 bonds all or part of the monies in the school improvement revenue bond  
40 debt service fund, in any account or subaccount in the fund or in the  
41 school improvement revenue bond proceeds fund as is necessary to secure  
42 and pay the principal, the interest and any premium on the bonds as they  
43 come due.

44 3. Establish priorities among bondholders based on criteria adopted  
45 by the ~~board~~ DIVISION.

1           4. Set aside, regulate and dispose of reserves and sinking  
2 accounts.

3           5. Prescribe the procedure, if any, by which the terms of any  
4 contract with bondholders may be amended or abrogated, the amount of bonds  
5 the holders of which must consent to and the manner in which the consent  
6 may be given.

7           6. Provide for payment of ~~bond-related~~ BOND-RELATED expenses from  
8 the proceeds of the sale of the bonds or other revenues authorized by this  
9 article and available to the ~~board~~ DIVISION.

10          7. Provide for the services of trustees, cotrustees, agents and  
11 consultants and other specialized services with respect to the bonds.

12          8. Take any other action that in any way may affect the security  
13 and protection of the bonds or interest on the bonds.

14          9. Refund any bonds issued by the ~~board~~ DIVISION, if these bonds  
15 are secured from the same source of revenues as the bonds authorized by  
16 this article, by issuing new bonds, whether at or before maturity of the  
17 bonds being refunded.

18          10. Issue bonds partly to refund outstanding bonds and partly for  
19 any other purpose consistent with this article.

20          B. Bonds issued to refund any bonds THAT ARE issued by the ~~board~~  
21 DIVISION as provided by subsection A, paragraphs 9 and 10 of this section  
22 are not subject to legislative authorization or subject to the ~~eight~~  
23 ~~hundred million dollar limitation~~ \$800,000,000 LIMIT prescribed by section  
24 ~~15-2081~~ 41-5781, subsection A.

25          Sec. 56. Section 41-5786, Arizona Revised Statutes, as transferred  
26 and renumbered, is amended to read:

27           41-5786. Lien of pledge

28           A. Any pledge made under this article is valid and binding from the  
29 time when the pledge is made.

30           B. The monies so pledged and received by the ~~board~~ DIVISION to be  
31 placed in the school improvement revenue bond debt service fund are  
32 immediately subject to the lien of the pledge without any future physical  
33 delivery or further act. Any lien of any pledge is valid and binding  
34 against all parties that have claims of any kind against the ~~board~~  
35 DIVISION, regardless of whether the parties have notice of the lien. The  
36 official resolution or trust indenture or any instrument by which this  
37 pledge is created, when adopted by the ~~board~~ DIVISION, is notice to all  
38 concerned of the creation of the pledge, and those instruments need not be  
39 recorded in any other place to perfect the pledge.

40          Sec. 57. Section 41-5787, Arizona Revised Statutes, as transferred  
41 and renumbered, is amended to read:

42           41-5787. Bond purchase; cancellation

43           The ~~school facilities board~~ DIVISION may purchase bonds for  
44 cancellation out of any monies available for the purchase at a price of  
45 not more than either of the following:



1           1. If the bonds are redeemable at the time of the purchase, the  
2 applicable redemption price plus accrued interest to the next interest  
3 payment date on the bonds.

4           2. If the bonds are not redeemable at the time of the purchase, the  
5 applicable redemption price on the first date after the purchase on which  
6 the bonds become subject to redemption plus accrued interest to that date.

7           Sec. 58. Section 41-5788, Arizona Revised Statutes, as transferred  
8 and renumbered, is amended to read:

9           41-5788. Payment of revenue bonds

10          A. The revenue bonds shall be paid solely from monies from the  
11 school improvement revenue bond debt service fund established pursuant to  
12 section ~~15-2084~~ 41-5784 and other monies that are credited to the school  
13 improvement revenue bond debt service fund.

14          B. The state treasurer or the paying agent for the revenue bonds  
15 shall cancel all revenue bonds when paid.

16           Sec. 59. Section 41-5789, Arizona Revised Statutes, as transferred  
17 and renumbered, is amended to read:

18           41-5789. Investment of monies in school improvement revenue  
19 bond proceeds fund

20          A. As provided by section ~~15-2091~~ 41-5791, the ~~school facilities~~  
21 ~~board~~ DIVISION may authorize the state treasurer or bond trustee to invest  
22 monies in the school improvement revenue bond proceeds fund established  
23 pursuant to section ~~15-2083~~ 41-5783.

24          B. The order directing an investment shall state a specified time  
25 when the proceeds from the sale of the bonds will be used. The state  
26 treasurer or bond trustee shall make the investment in such a way as to  
27 mature at the specified date.

28          C. All monies earned as interest or otherwise derived from the  
29 investment of the monies in the school improvement revenue bond proceeds  
30 fund shall be credited to the school improvement revenue bond debt service  
31 fund established by section ~~15-2084~~ 41-5784.

32           Sec. 60. Section 41-5790, Arizona Revised Statutes, as transferred  
33 and renumbered, is amended to read:

34           41-5790. Investment of monies in school improvement revenue  
35 bond debt service fund

36          A. The ~~school facilities board~~ DIVISION may authorize the state  
37 treasurer or bond trustee to invest and reinvest any monies in the school  
38 improvement revenue bond debt service fund as provided by section ~~15-2091~~  
39 41-5791.

40          B. All monies earned as interest or otherwise derived from the  
41 investment of the monies in the school improvement revenue bond debt  
42 service fund shall be credited to that fund.

1           Sec. 61. Section 41-5791, Arizona Revised Statutes, as transferred  
2 and renumbered, is amended to read:

3           41-5791. Authorized investments of fund monies

4           A. On notice from the ~~school facilities board~~ **DIVISION**, the state  
5 treasurer or bond trustee shall invest and divest monies in either the  
6 school improvement revenue bond proceeds fund or the school improvement  
7 revenue **BOND** debt service fund in any of the following:

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

11           2. State, county or municipal bonds that are issued in this state  
12 and on which the payments of interest have not been deferred.

13           3. Investment agreements and repurchase agreements collateralized  
14 by investments described in paragraph 1 of this subsection.

15           B. The purchase of the securities shall be made by the state  
16 treasurer or bond trustee on authority of a resolution of the ~~board~~  
17 **DIVISION**. The treasurer or bond trustee shall act as custodian of all  
18 securities purchased. The securities may be sold on an order of the ~~board~~  
19 **DIVISION**.

20           Sec. 62. Section 41-5792, Arizona Revised Statutes, as transferred  
21 and renumbered, is amended to read:

22           41-5792. Characteristics of bonds; negotiable; exemption from  
23           taxation; obligation; legal investments

24           A. Bonds issued under this article are fully negotiable within the  
25 meaning and for all purposes of the uniform commercial code, subject only  
26 to any provisions for registration, regardless of whether the bonds  
27 actually constitute negotiable instruments under the uniform commercial  
28 code.

29           B. The bonds, their transfer and the income from the bonds are at  
30 all times free from taxation in this state.

31           C. Bonds issued under this article:

32           1. Are obligations of the ~~board~~ **DIVISION**. The ~~members~~ **EMPLOYEES** of  
33 the ~~board~~ **DIVISION** and persons executing the bonds are not personally  
34 liable for payment of the bonds.

35           2. Are payable only according to their terms.

36           3. Do not constitute a debt of this state.

37           4. Are not enforceable against this state, ~~not is~~ **AND** payment of  
38 the bonds **IS NOT** enforceable out of any monies other than the revenue  
39 pledged and assigned to, or in trust for the benefit of, the holder or  
40 holders of the bonds.

41           5. Are securities in which public officers and bodies of this state  
42 and of municipalities and political subdivisions of this state, all  
43 companies, associations and other persons carrying on an insurance  
44 business, all financial institutions, investment companies and other  
45 persons carrying on a banking business, all fiduciaries and all other

1 persons who are authorized to invest in government obligations may  
2 properly and legally invest.

3 6. Are securities that may be deposited with public officers or  
4 bodies of this state and municipalities and political subdivisions of this  
5 state for purposes that require the deposit of government bonds or  
6 obligations.

7 Sec. 63. Section 41-5793, Arizona Revised Statutes, as transferred  
8 and renumbered, is amended to read:

9 41-5793. Effect of changing circumstances on bonds; agreement  
10 of state

11 A. Bonds issued under this article remain valid and binding  
12 obligations of the ~~board~~ DIVISION notwithstanding that before the delivery  
13 of the bonds any of the persons whose signatures appear on the bonds cease  
14 to be members of the ~~school facilities board~~ DIVISION.

15 B. An amendment of any provision of this article does not diminish  
16 or impair the validity of bonds issued under this article or the remedies  
17 and rights of bondholders.

18 C. This state pledges to and agrees with the holders of the bonds  
19 authorized by this article that this state will not limit, alter or impair  
20 the rights and remedies of the bondholders until all bonds issued under  
21 this article, together with interest on the bonds, interest on any unpaid  
22 installments of principal or interest and all costs and expenses in  
23 connection with any action or proceedings by or on behalf of the  
24 bondholders, are fully met and discharged. The ~~board~~ DIVISION, as agent  
25 for this state, may include this pledge and undertaking in its resolutions  
26 and indentures authorizing and securing the bonds.

27 Sec. 64. Section 41-5794, Arizona Revised Statutes, as transferred  
28 and renumbered, is amended to read:

29 41-5794. Validity of bonds; certification by attorney general

30 A. This article constitutes full authority for authorizing and  
31 issuing bonds without reference to any other law of this state. No other  
32 law with regard to authorizing or issuing obligations or that in any way  
33 impedes or restricts performing the acts authorized by this article may be  
34 construed to apply to any proceedings taken or acts done pursuant to this  
35 article.

36 B. The validity of bonds issued under this article does not depend  
37 on and is not affected by the legality of any proceeding relating to any  
38 action by the ~~school facilities board~~ DIVISION in granting or lending  
39 monies or the acquisition, construction or improvement of any facility  
40 paid with monies provided by the ~~board~~ DIVISION.

41 C. The ~~school facilities board~~ DIVISION may submit to the attorney  
42 general revenue bonds to be issued under this article after all  
43 proceedings for authorizing the bonds have been completed. Within fifteen  
44 days after submission, the attorney general shall examine the bonds and  
45 pass on the validity of the bonds and the regularity of the proceedings.

1 If the bonds and proceedings comply with the Constitution of Arizona and  
2 this article, and if the bonds when delivered and paid for will constitute  
3 binding and legal obligations of the ~~board~~ DIVISION, the attorney general  
4 shall certify in substance that the bonds are issued according to the  
5 constitution and laws of this state.

6 D. The bonds shall recite that they are regularly issued pursuant  
7 to this article. That recital, together with the certification by the  
8 attorney general under subsection C of this section, constitutes prima  
9 facie evidence of the legality and validity of the bonds. From and after  
10 the sale and delivery of the bonds, they are incontestable by the ~~school~~  
11 ~~facilities board~~ DIVISION or this state.

12 Sec. 65. Section 41-5805, Arizona Revised Statutes, as transferred  
13 and renumbered, is amended to read:

14 41-5805. Securing principal and interest

15 To secure the principal and interest on the impact aid revenue  
16 bonds, the SCHOOL DISTRICT governing board by resolution may:

17 1. Segregate the impact aid revenue bond debt service fund into one  
18 or more accounts and subaccounts and provide that bonds issued under this  
19 article may be secured by a lien on all or part of the monies paid into  
20 the impact aid revenue bond debt service fund or into any account or  
21 subaccount in the fund.

22 2. Provide that the bonds issued under this article ~~are~~ BE secured  
23 by a first lien on the monies paid in the impact aid revenue bond debt  
24 service fund as provided by section ~~15-2104~~ 41-5804 and pledge and assign  
25 to or in trust for the benefit of the holder or holders of the bonds all  
26 or part of the monies in the impact aid revenue bond debt service fund or  
27 an account or subaccount as is necessary to secure and pay the principal,  
28 the interest and any premium on the bonds as they come due.

29 3. Establish priorities among bondholders based on criteria adopted  
30 by the governing board.

31 4. Set aside, regulate and dispose of reserves and sinking  
32 accounts.

33 5. Prescribe the procedure, if any, by which the terms of any  
34 contract with bondholders may be amended or abrogated, the amount of bonds  
35 the holders of which must consent to and the manner in which the consent  
36 may be given.

37 6. Provide for payment of bond related expenses from the proceeds  
38 of the sale of the bonds or other revenues authorized by this article  
39 available to the school district.

40 7. Provide for the services of trustees, cotrustees, agents and  
41 consultants and other specialized services with respect to the bonds.

42 8. Take any other action that in any way may affect the security  
43 and protection of the bonds or interest on the bonds.

1           9. Refund any bonds issued by the school district, if these bonds  
2 are secured from the same source of revenues as the bonds authorized by  
3 this article, by issuing new bonds.

4           10. Issue bonds partly to refund outstanding bonds and partly for  
5 any other purpose consistent with this article.

6           Sec. 66. Section 41-5810, Arizona Revised Statutes, as transferred  
7 and renumbered, is amended to read:

8           41-5810. Authorized investments of fund monies

9           A. The monies in either the impact aid revenue bond building fund  
10 or debt service fund may be invested and reinvested at the direction of  
11 the SCHOOL DISTRICT governing board in any of the investments authorized  
12 by section ~~15-2062~~ 41-5761.

13           B. The purchase of the securities shall be made by the county  
14 treasurer or the treasurer's designated agent on authority of a resolution  
15 of the governing board. The county treasurer shall act as custodian of  
16 all securities purchased. The securities may be sold on an order of the  
17 governing board.

18           Sec. 67. Section 41-5832, Arizona Revised Statutes, as transferred  
19 and renumbered, is amended to read:

20           41-5832. Indoor air quality requirements

21           A. When the ~~school facilities board~~ DIVISION approves the  
22 construction of a school building, the ~~school facilities board~~ DIVISION  
23 shall conduct an environmental site assessment. The ~~board~~ DIVISION shall  
24 consider site assessment standards in accordance with the American society  
25 for testing and materials standard E1527, standard practice for  
26 environmental site assessments: phase I environmental site assessment  
27 process.

28           B. The ~~school facilities board~~ DIVISION shall not approve a school  
29 building project if any of the following conditions ~~exist~~ EXISTS:

30           1. The environmental site assessment indicates that the site cannot  
31 meet, within reasonable expenditures, the same criteria established for  
32 residential properties.

33           2. The plans incorporate flat roof construction that does not have  
34 adequate pitch towards drains in order to prevent pooling of water.

35           3. The plans do not incorporate indoor air quality guidelines that  
36 are acceptable to the ~~board~~ DIVISION. The ~~board~~ DIVISION shall consider  
37 indoor air quality guidelines in accordance with the sheet metal and air  
38 conditioning contractors national association's publication entitled  
39 "indoor air quality guidelines for occupied buildings under construction".

40           C. Each school district governing board that installed or renovated  
41 its HVAC system on or after ~~the effective date of this article~~ AUGUST 12,  
42 2005 shall ensure that its HVAC system meets both of the following  
43 requirements:

44           1. Is maintained and operated in a manner consistent with  
45 ventilation standards acceptable to the ~~board~~ DIVISION. The ~~board~~

1 **DIVISION** shall consider ventilation standards in accordance with  
2 standard 62.

3 2. Is operated continuously during school activity hours except  
4 during scheduled maintenance and emergency repairs and except during  
5 periods for which school officials can demonstrate to the governing  
6 board's satisfaction that the quantity of outdoor air supplied by an air  
7 supply system that is not mechanically driven meets the requirements for  
8 air changes per hour acceptable to the ~~board~~ **DIVISION**.

9 D. Each school district governing board that installed or renovated  
10 its HVAC system before ~~the effective date of this article~~ **AUGUST 12, 2005**  
11 shall ensure that its HVAC system is maintained and operated in accordance  
12 with the prevailing maintenance and standards at the time of the  
13 installation or renovation of the HVAC system.

14 Sec. 68. Section 41-5841, Arizona Revised Statutes, as transferred  
15 and renumbered, is amended to read:

16 **41-5841. Achievement district school application**

17 A. The credit enhancement eligibility board established by section  
18 ~~15-2152~~ **41-5852** shall establish an application process, application forms  
19 and selection criteria for a public school or charter school to qualify as  
20 an achievement district school for the purposes of article 11 of this  
21 chapter.

22 B. A public school or charter school that meets all of the  
23 following criteria is eligible to qualify as an achievement district  
24 school:

25 1. Has been assigned a letter grade of A, or an equivalent  
26 successor classification, pursuant to section 15-241.

27 2. Has proven instructional strategies and curricula that  
28 demonstrate high academic outcomes.

29 3. Has a verifiable enrollment demand, including the placement of  
30 prospective pupils on a waiting list.

31 4. Has a sound financial plan that contemplates operational costs  
32 and future enrollment growth.

33 5. Has shown a commitment to provide technical assistance,  
34 including business services, curriculum development and teacher training,  
35 to an underperforming school in the state.

36 6. Meets any other criteria established by the credit enhancement  
37 eligibility board.

38 C. The credit enhancement eligibility board shall meet regularly to  
39 evaluate achievement district school applications and shall either approve  
40 or deny each application submitted. The board shall report its decision  
41 on each application to the public school or charter school within ten  
42 business days after the board's decision.

43 D. If a school's application is approved pursuant to this section,  
44 the school qualifies as an achievement district school and is eligible to

1 apply for participation in the Arizona public school credit enhancement  
2 program established by section ~~15-2155~~ 41-5855.

3 Sec. 69. Section 41-5851, Arizona Revised Statutes, as transferred  
4 and renumbered, is amended to read:

5 41-5851. Definitions

6 In this article, unless the context otherwise requires:

7 1. "Achievement district school" means a public school or a charter  
8 school that has qualified as an achievement district school pursuant to  
9 article 10 of this chapter and that has submitted an application with the  
10 board pursuant to this article to obtain guaranteed financing.

11 2. "Board" means the credit enhancement eligibility board  
12 established by section ~~15-2152~~ 41-5852.

13 3. "Fund" means the Arizona public school credit enhancement fund  
14 established by section ~~15-2154~~ 41-5854.

15 4. "Guaranteed financing" means debt obligations that are issued by  
16 or on behalf of a public school or a charter school to acquire, construct,  
17 renovate, equip, refinance or improve capital facilities and for which the  
18 board has approved a guarantee of all or a portion of the principal and  
19 interest payments pursuant to the program.

20 5. "Program" means the Arizona public school credit enhancement  
21 program established by section ~~15-2155~~ 41-5855.

22 6. "Program funding obligations" means program funding obligations  
23 approved and issued by the board pursuant to section ~~15-2157~~ 41-5857.

24 7. "Program leverage ratio" means the ratio at any time between the  
25 aggregate principal amount of guaranteed financings outstanding and the  
26 amounts on deposit in the fund.

27 Sec. 70. Section 41-5853, Arizona Revised Statutes, as transferred  
28 and renumbered, is amended to read:

29 41-5853. Powers and duties of the board

30 A. The board is a body corporate and politic and may have an  
31 official seal that is judicially noticed.

32 B. The board may:

33 1. Sue and be sued in its own name.

34 2. Contract and enter into agreements as necessary to carry out its  
35 responsibilities under this article.

36 3. Contract with experts, advisers, consultants and agents,  
37 including financial experts, legal counsel and other advisers and  
38 consultants as may be necessary for services to assist the board.

39 4. Make and execute contracts and other instruments necessary or  
40 convenient for the performance of its duties and the exercise of its power  
41 and functions.

42 5. Pursuant to section ~~15-2155~~ 41-5855, approve financing for an  
43 achievement district school as guaranteed financing under the program.

44 6. Do all acts, whether or not expressly authorized, that may be  
45 deemed necessary or proper for the protection of the monies in the Arizona

1 public school credit enhancement fund, except that the board may not take  
2 any action that would create a general or moral obligation of this state  
3 or any agency of the state.

4 7. Contract with any entity relating to guaranteed financings.

5 8. Issue program funding obligations pursuant to section ~~15-2157~~  
6 41-5857.

7 9. Adopt rules governing the operation of the program.

8 10. Take any other action that is necessary or appropriate to carry  
9 out this article.

10 C. The ~~school facilities board~~ DIVISION shall provide staff as  
11 requested by the board to support the activities of the ~~credit enhancement~~  
12 ~~eligibility~~ board.

13 Sec. 71. Section 41-5854, Arizona Revised Statutes, as transferred  
14 and renumbered, is amended to read:

15 41-5854. Arizona public school credit enhancement fund;  
16 purposes; exemption

17 A. The Arizona public school credit enhancement fund is established  
18 consisting of:

19 1. Payments of program participation fees paid by schools that have  
20 participated in guaranteed financings pursuant to section ~~15-2155~~ 41-5855.

21 2. Repayments of monies of the fund that are used to make payments  
22 of principal and interest on guaranteed financings pursuant to section  
23 ~~15-2156~~ 41-5856.

24 3. The proceeds of program funding obligations issued by the board  
25 pursuant to section ~~15-2157~~ 41-5857.

26 4. Gifts, grants and donations received from any public or private  
27 source to carry out the purposes of this article.

28 5. Interest earnings and investment income earned on monies in the  
29 fund.

30 6. Any other monies distributed, paid or deposited to the fund by  
31 law or pursuant to contracts arising out of a guaranteed financing.

32 B. Monies and other assets of the fund shall be held and disbursed  
33 separate and apart from all other monies or assets of this state or  
34 political subdivisions of this state.

35 C. Monies in the fund shall be used for the following purposes:

36 1. By the state treasurer to make payments of principal or interest  
37 on guaranteed financings pursuant to section ~~15-2156~~ 41-5856.

38 2. By the board at its direction:

39 (a) To pay any operational or administrative expenses of the board,  
40 including fees for advisers, rating agencies and professionals retained by  
41 the board.

42 (b) To make payments to bond insurers to provide municipal bond  
43 insurance guaranteeing the timely payment of all or a portion of any  
44 guaranteed financing.



1 (c) To make payments of principal and interest in connection with  
2 any program funding obligations.

3 D. The state treasurer shall administer the fund and shall disburse  
4 monies in the fund as required by subsection C, paragraph 1 of this  
5 section and as directed by the board pursuant to subsection C, paragraph 2  
6 of this section. The state treasurer shall separately account for monies  
7 received from each source listed in subsection A of this section and may  
8 establish accounts and subaccounts as necessary to properly account for  
9 and use monies in the fund.

10 E. Monies received pursuant to subsection A of this section may not  
11 be used for any purpose except guaranteeing or making payments of  
12 principal and interest on guaranteed financings approved by the board and  
13 any costs and expenses of the program or the board as provided in this  
14 article.

15 F. The state treasurer shall invest and divest monies in the fund  
16 as provided in section 35-313, and monies earned from investment shall be  
17 credited to the fund. Monies in the fund are exempt from the provisions  
18 of section 35-190 relating to lapsing of appropriations.

19 Sec. 72. Section 41-5857, Arizona Revised Statutes, as transferred  
20 and renumbered, is amended to read:

21 41-5857. Program funding obligations; immunity

22 A. The board may deliver nonnegotiable program funding obligations  
23 in one or more series in an aggregate principal amount of not more than  
24 ~~eighty million dollars~~ \$80,000,000.

25 B. The board shall sell any program funding obligations prescribed  
26 in subsection A of this section to the state treasurer, and the state  
27 treasurer shall buy such obligations as an allowable investment of the  
28 fund. The total principal amount of program funding obligations  
29 outstanding at any one time may not exceed ~~eighty million dollars~~  
30 \$80,000,000. The board may reissue to the state treasurer any called  
31 program funding obligations on the same terms as the obligations that were  
32 called and in a principal amount that does not exceed the principal amount  
33 called.

34 C. The board shall authorize each program funding obligation by a  
35 resolution that sets forth:

36 1. The rate or rates of interest.

37 2. The date or dates of maturity.

38 3. The terms of redemption.

39 4. The form and manner of execution of the program funding  
40 obligation.

41 5. Any terms necessary to secure credit enhancement or other  
42 sources of payment or security.

43 6. Any other terms deemed necessary or advisable by the board.

1 D. The interest rate to be paid on program funding obligations  
2 authorized by the board pursuant to subsection C of this section shall be  
3 equal to the sum of the following:

4 1. The actual rate of interest earned by the state treasurer on the  
5 investment of the proceeds from the sale of the program funding  
6 obligations.

7 2. For any period during which guaranteed financings are  
8 outstanding, an additional interest rate of at least one hundred basis  
9 points as determined by the board.

10 E. The principal of and interest on the program funding obligations  
11 shall be secured by and paid from monies deposited in the fund, on the  
12 terms set forth in the resolution, and are subordinate to any payments  
13 that are necessary to be made for guaranteed financings. Principal  
14 payments shall be paid on a basis proportional to the reduction in  
15 outstanding principal of guaranteed financings under the program.  
16 Interest shall be paid on an annual or more frequent basis as set forth in  
17 the resolution of the board. The monies pledged under this section to the  
18 program funding obligations are immediately subject to the lien of the  
19 pledge without any future physical delivery or further act. A lien of any  
20 pledge is valid and binding against all parties having claims of any kind  
21 in tort, contract or otherwise against the board irrespective of whether  
22 the parties have notice of the lien. When placed in the board's records,  
23 the resolution by which the pledge is created is notice to all concerned  
24 of the creation of the pledge.

25 F. Program funding obligations shall be sold at private sale to the  
26 state treasurer at a price and on terms provided by the board in its  
27 resolution pursuant to this section. The proceeds from the sale of  
28 program funding obligations shall be deposited into the fund and may be  
29 used for the purposes of the fund as set forth in section ~~15-2154~~ 41-5854.

30 G. Program funding obligations are:

31 1. Special obligations of the board.

32 2. Not obligations that are general, special or otherwise of this  
33 state.

34 3. Not a legal debt of this state.

35 4. Payable and enforceable only from the monies and fund pledged  
36 and assigned by the board in its resolution.

37 H. Any member of the board or a person executing a program funding  
38 obligation is not personally liable for the payment of the program funding  
39 obligation.

40 Sec. 73. Section 41-5858, Arizona Revised Statutes, as transferred  
41 and renumbered, is amended to read:

42 41-5858. Quarterly reports

43 Within thirty days after the last day of each calendar quarter, the  
44 ~~school facilities board~~ DIVISION staff, in collaboration with the ~~credit~~  
45 ~~enhancement eligibility~~ board, shall submit to the speaker of the house of

1 representatives, the president of the senate, the director of the joint  
2 legislative budget committee and the director of the governor's office of  
3 strategic planning and budgeting a quarterly report on the implementation  
4 of the program pursuant to this article. The quarterly report shall  
5 include at least the following information:

6 1. A listing of all outstanding guaranteed financings approved by  
7 the board, including the following information for each financing:

8 (a) The name of the public school or charter school by or on behalf  
9 of which the debt obligation was issued.

10 (b) The date of the issuance.

11 (c) The original amount of the issuance.

12 (d) The interest rate of the issuance.

13 (e) The term length of the issuance.

14 (f) The credit rating of the issuance.

15 (g) The amount of principal and interest due on the debt obligation  
16 in the current fiscal year.

17 (h) The purpose for which the debt obligation was issued,  
18 separately delineated for obligations to construct new capital facilities,  
19 renovate existing capital facilities or refinance existing debt  
20 obligations.

21 (i) The current outstanding principal of the debt obligation.

22 2. A listing of all guaranteed financings subject to section  
23 ~~15-2156~~ 41-5856 in the prior quarter, including the amounts disbursed for  
24 payment of principal and interest for the guaranteed financing and the  
25 terms and conditions the school is subject to under section ~~15-2156~~  
26 41-5856, subsections C, D and E.

27 3. The current balance of the Arizona public school credit  
28 enhancement fund.

29 4. The current program leverage ratio.

30 Sec. 74. Subject to the requirements of article IV, part 1, section  
31 1, Constitution of Arizona, section 42-5029, Arizona Revised Statutes, is  
32 amended to read:

33 42-5029. Remission and distribution of monies; withholding;  
34 definition

35 A. The department shall deposit, pursuant to sections 35-146 and  
36 35-147, all revenues collected under this article and articles 4, 5 and 8  
37 of this chapter pursuant to section 42-1116, separately accounting for:

38 1. Payments of estimated tax under section 42-5014, subsection D.

39 2. Revenues collected pursuant to section 42-5070.

40 3. Revenues collected under this article and article 5 of this  
41 chapter from and after June 30, 2000 from sources located on Indian  
42 reservations in this state.

43 4. Revenues collected pursuant to section 42-5010, subsection G and  
44 section 42-5155, subsection D.

1           5. Revenues collected pursuant to section 42-5010.01 and section  
2 42-5155, subsection E.

3           B. The department shall credit payments of estimated tax to an  
4 estimated tax clearing account and each month shall transfer all monies in  
5 the estimated tax clearing account to a fund designated as the transaction  
6 privilege and severance tax clearing account. The department shall credit  
7 all other payments to the transaction privilege and severance tax clearing  
8 account, separately accounting for the monies designated as distribution  
9 base under sections 42-5010, 42-5164 and 42-5205. Each month the  
10 department shall report to the state treasurer the amount of monies  
11 collected pursuant to this article and articles 4, 5 and 8 of this  
12 chapter.

13           C. On notification by the department, the state treasurer shall  
14 distribute the monies deposited in the transaction privilege and severance  
15 tax clearing account in the manner prescribed by this section and by  
16 sections 42-5164 and 42-5205, after deducting warrants drawn against the  
17 account pursuant to sections 42-1118 and 42-1254.

18           D. Of the monies designated as distribution base, and subject to  
19 the requirements of section 42-5041, the department shall:

20           1. Pay twenty-five percent to the various incorporated  
21 municipalities in this state in proportion to their population to be used  
22 by the municipalities for any municipal purpose.

23           2. Pay 38.08 percent to the counties in this state by averaging the  
24 following proportions:

25           (a) The proportion that the population of each county bears to the  
26 total state population.

27           (b) The proportion that the distribution base monies collected  
28 during the calendar month in each county under this article, section  
29 42-5164, subsection B and section 42-5205, subsection B bear to the total  
30 distribution base monies collected under this article, section 42-5164,  
31 subsection B and section 42-5205, subsection B throughout the state for  
32 the calendar month.

33           3. Pay an additional 2.43 percent to the counties in this state as  
34 follows:

35           (a) Average the following proportions:

36           (i) The proportion that the assessed valuation used to determine  
37 secondary property taxes of each county, after deducting that part of the  
38 assessed valuation that is exempt from taxation at the beginning of the  
39 month for which the amount is to be paid, bears to the total assessed  
40 valuations used to determine secondary property taxes of all the counties  
41 after deducting that portion of the assessed valuations that is exempt  
42 from taxation at the beginning of the month for which the amount is to be  
43 paid. Property of a city or town that is not within or contiguous to the  
44 municipal corporate boundaries and from which water is or may be withdrawn  
45 or diverted and transported for use on other property is considered to be

1 taxable property in the county for purposes of determining assessed  
2 valuation in the county under this item.

3 (ii) The proportion that the distribution base monies collected  
4 during the calendar month in each county under this article, section  
5 42-5164, subsection B and section 42-5205, subsection B bear to the total  
6 distribution base monies collected under this article, section 42-5164,  
7 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state  
8 for the calendar month.

9 (b) If the proportion computed under subdivision (a) of this  
10 paragraph for any county is greater than the proportion computed under  
11 paragraph 2 of this subsection, the department shall compute the  
12 difference between the amount distributed to that county under paragraph 2  
13 of this subsection and the amount that would have been distributed under  
14 paragraph 2 of this subsection using the proportion computed under  
15 subdivision (a) of this paragraph and shall pay that difference to the  
16 county from the amount available for distribution under this paragraph.  
17 Any monies remaining after all payments under this subdivision shall be  
18 distributed among the counties according to the proportions computed under  
19 paragraph 2 of this subsection.

20 4. After any distributions required by sections 42-5030,  
21 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making  
22 any transfer to the water quality assurance revolving fund as required by  
23 section 49-282, subsection B, credit the remainder of the monies  
24 designated as distribution base to the state general fund. From this  
25 amount the legislature shall annually appropriate to:

26 (a) The department of revenue sufficient monies to administer and  
27 enforce this article and articles 5 and 8 of this chapter.

28 (b) The department of economic security monies to be used for the  
29 purposes stated in title 46, chapter 1.

30 (c) The firearms safety and ranges fund established by section  
31 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected  
32 from the retail classification pursuant to section 42-5061 for the current  
33 fiscal year.

34 E. If approved by the qualified electors voting at a statewide  
35 general election, all monies collected pursuant to section 42-5010,  
36 subsection G and section 42-5155, subsection D shall be distributed each  
37 fiscal year pursuant to this subsection. The monies distributed pursuant  
38 to this subsection are in addition to any other appropriation, transfer or  
39 other allocation of public or private monies from any other source and  
40 shall not supplant, replace or cause a reduction in other school district,  
41 charter school, university or community college funding sources. The  
42 monies shall be distributed as follows:

43 1. If there are outstanding state school facilities revenue bonds  
44 pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 7, each month one-twelfth  
45 of the amount that is necessary to pay the fiscal year's debt service on

1 outstanding state school improvement revenue bonds for the current fiscal  
2 year shall be transferred each month to the school improvement revenue  
3 bond debt service fund established by section ~~15-2084~~ 41-5784. The total  
4 amount of bonds for which these monies may be allocated for the payment of  
5 debt service shall not exceed a principal amount of ~~eight hundred million~~  
6 ~~dollars~~ \$800,000,000 exclusive of refunding bonds and other refinancing  
7 obligations.

8 2. After any transfer of monies pursuant to paragraph 1 of this  
9 subsection, twelve ~~per cent~~ PERCENT of the remaining monies collected  
10 during the preceding month shall be transferred to the technology and  
11 research initiative fund established by section 15-1648 to be distributed  
12 among the universities for the purpose of investment in technology and  
13 research-based initiatives.

14 3. After the transfer of monies pursuant to paragraph 1 of this  
15 subsection, three ~~per cent~~ PERCENT of the remaining monies collected  
16 during the preceding month shall be transferred to the workforce  
17 development account established in each community college district  
18 pursuant to section 15-1472 for the purpose of investment in workforce  
19 development programs.

20 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
21 this subsection, one-twelfth of the amount a community college that is  
22 owned, operated or chartered by a qualifying Indian tribe on its own  
23 Indian reservation would receive pursuant to section 15-1472, subsection  
24 D, paragraph 2 if it were a community college district shall be  
25 distributed each month to the treasurer or other designated depository of  
26 a qualifying Indian tribe. Monies distributed pursuant to this paragraph  
27 are for the exclusive purpose of providing support to one or more  
28 community colleges owned, operated or chartered by a qualifying Indian  
29 tribe and shall be used in a manner consistent with section 15-1472,  
30 subsection B. For the purposes of this paragraph, "qualifying Indian  
31 tribe" has the same meaning as defined in section 42-5031.01,  
32 subsection D.

33 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
34 this subsection, one-twelfth of the following amounts shall be transferred  
35 each month to the department of education for the increased cost of basic  
36 state aid under section 15-971 due to added school days and associated  
37 teacher salary increases enacted in 2000:

38 (a) In fiscal year 2001-2002, \$15,305,900.

39 (b) In fiscal year 2002-2003, \$31,530,100.

40 (c) In fiscal year 2003-2004, \$48,727,700.

41 (d) In fiscal year 2004-2005, \$66,957,200.

42 (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
43 \$86,280,500.

44 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
45 this subsection, ~~seven million eight hundred thousand dollars~~ \$7,800,000

1 is appropriated each fiscal year, to be paid in monthly installments, to  
2 the department of education to be used for school safety as provided in  
3 section 15-154 and ~~two hundred thousand dollars~~ \$200,000 is appropriated  
4 each fiscal year, to be paid in monthly installments, to the department of  
5 education to be used for the character education matching grant program as  
6 provided in section 15-154.01.

7 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
8 this subsection, ~~no~~ NOT more than ~~seven million dollars~~ \$7,000,000 may be  
9 appropriated by the legislature each fiscal year to the department of  
10 education to be used for accountability purposes as described in section  
11 15-241 and title 15, chapter 9, article 8.

12 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
13 this subsection, ~~one million five hundred thousand dollars~~ \$1,500,000 is  
14 appropriated each fiscal year, to be paid in monthly installments, to the  
15 failing schools tutoring fund established by section 15-241.

16 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
17 this subsection, ~~twenty-five million dollars~~ \$25,000,000 shall be  
18 transferred each fiscal year to the state general fund to reimburse the  
19 STATE general fund for the cost of the income tax credit allowed by  
20 section 43-1072.01.

21 10. After the payment of monies pursuant to paragraphs 1 through 9  
22 of this subsection, the remaining monies collected during the preceding  
23 month shall be transferred to the classroom site fund established by  
24 section 15-977. The monies shall be allocated as follows in the manner  
25 prescribed by section 15-977:

26 (a) Forty ~~per cent~~ PERCENT shall be allocated for teacher  
27 compensation based on performance.

28 (b) Twenty ~~per cent~~ PERCENT shall be allocated for increases in  
29 teacher base compensation and employee related expenses.

30 (c) Forty ~~per cent~~ PERCENT shall be allocated for maintenance and  
31 operation purposes.

32 F. The department shall credit the remainder of the monies in the  
33 transaction privilege and severance tax clearing account to the state  
34 general fund, subject to any distribution required by section 42-5030.01.

35 G. Notwithstanding subsection D of this section, if a court of  
36 competent jurisdiction finally determines that tax monies distributed  
37 under this section were illegally collected under this article or articles  
38 5 and 8 of this chapter and orders the monies to be refunded to the  
39 taxpayer, the department shall compute the amount of such monies that was  
40 distributed to each city, town and county under this section. Each  
41 city's, town's and county's proportionate share of the costs shall be  
42 based on the amount of the original tax payment each municipality and  
43 county received. Each month the state treasurer shall reduce the amount  
44 otherwise distributable to the city, town and county under this section by  
45 ~~one thirty-sixth~~ 1/36 of the total amount to be recovered from the city,

1 town or county until the total amount has been recovered, but the monthly  
2 reduction for any city, town or county shall not exceed ten percent of the  
3 full monthly distribution to that entity. The reduction shall begin for  
4 the first calendar month after the final disposition of the case and shall  
5 continue until the total amount, including interest and costs, has been  
6 recovered.

7 H. On receiving a certificate of default from the greater Arizona  
8 development authority pursuant to section 41-2257 or 41-2258 and to the  
9 extent not otherwise expressly prohibited by law, the state treasurer  
10 shall withhold from the next succeeding distribution of monies pursuant to  
11 this section due to the defaulting political subdivision the amount  
12 specified in the certificate of default and immediately deposit the amount  
13 withheld in the greater Arizona development authority revolving fund. The  
14 state treasurer shall continue to withhold and deposit the monies until  
15 the greater Arizona development authority certifies to the state treasurer  
16 that the default has been cured. In no event may the state treasurer  
17 withhold any amount that the defaulting political subdivision certifies to  
18 the state treasurer and the authority as being necessary to make any  
19 required deposits then due for the payment of principal and interest on  
20 bonds of the political subdivision that were issued before the date of the  
21 loan repayment agreement or bonds and that have been secured by a pledge  
22 of distributions made pursuant to this section.

23 I. Except as provided by sections 42-5033 and 42-5033.01, the  
24 population of a county, city or town as determined by the most recent  
25 United States decennial census plus any revisions to the decennial census  
26 certified by the United States bureau of the census shall be used as the  
27 basis for apportioning monies pursuant to subsection D of this section.

28 J. Except as otherwise provided by this subsection, on notice from  
29 the department of revenue pursuant to section 42-6010, subsection B, the  
30 state treasurer shall withhold from the distribution of monies pursuant to  
31 this section to the affected city or town the amount of the penalty for  
32 business location municipal tax incentives provided by the city or town to  
33 a business entity that locates a retail business facility in the city or  
34 town. The state treasurer shall continue to withhold monies pursuant to  
35 this subsection until the entire amount of the penalty has been withheld.  
36 The state treasurer shall credit any monies withheld pursuant to this  
37 subsection to the state general fund as provided by subsection D,  
38 paragraph 4 of this section. The state treasurer shall not withhold any  
39 amount that the city or town certifies to the department of revenue and  
40 the state treasurer as being necessary to make any required deposits or  
41 payments for debt service on bonds or other long-term obligations of the  
42 city or town that were issued or incurred before the location incentives  
43 provided by the city or town.

44 K. On notice from the auditor general pursuant to section 9-626,  
45 subsection D, the state treasurer shall withhold from the distribution of



1 monies pursuant to this section to the affected city the amount computed  
2 pursuant to section 9-626, subsection D. The state treasurer shall  
3 continue to withhold monies pursuant to this subsection until the entire  
4 amount specified in the notice has been withheld. The state treasurer  
5 shall credit any monies withheld pursuant to this subsection to the state  
6 general fund as provided by subsection D, paragraph 4 of this section.

7 L. Except as otherwise provided by this subsection, on notice from  
8 the attorney general pursuant to section 41-194.01, subsection B,  
9 paragraph 1 that an ordinance, regulation, order or other official action  
10 adopted or taken by the governing body of a county, city or town violates  
11 state law or the Constitution of Arizona, the state treasurer shall  
12 withhold the distribution of monies pursuant to this section to the  
13 affected county, city or town and shall continue to withhold monies  
14 pursuant to this subsection until the attorney general certifies to the  
15 state treasurer that the violation has been resolved. The state treasurer  
16 shall redistribute the monies withheld pursuant to this subsection among  
17 all other counties, cities and towns in proportion to their population as  
18 provided by subsection D of this section. The state treasurer shall not  
19 withhold any amount that the county, city or town certifies to the  
20 attorney general and the state treasurer as being necessary to make any  
21 required deposits or payments for debt service on bonds or other long-term  
22 obligations of the county, city or town that were issued or incurred  
23 before committing the violation.

24 M. For the purposes of this section, "community college district"  
25 means a community college district that is established pursuant to  
26 sections 15-1402 and 15-1403 and that is a political subdivision of this  
27 state and, unless otherwise specified, includes a community college  
28 tuition financing district established pursuant to section 15-1409.

29 Sec. 75. Section 42-5030.01, Arizona Revised Statutes, is amended  
30 to read:

31 42-5030.01. Distribution of revenues for school facilities

32 From and after June 30, 1999, if there are outstanding state school  
33 facilities revenue bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article  
34 6, and if the amount of monies available under section 37-521, subsection  
35 B, paragraph 1 is insufficient to pay the debt service due on the  
36 outstanding bonds in that fiscal year, the state treasurer shall transfer  
37 to the state school facilities revenue bond debt service fund established  
38 pursuant to section ~~15-2054~~ 41-5754 the amount that is necessary to pay  
39 the debt service due in that fiscal year on the outstanding bonds from  
40 state general fund revenues that were collected pursuant to this chapter.

41 Sec. 76. Section 43-1089.02, Arizona Revised Statutes, is amended  
42 to read:

43 43-1089.02. Credit for donation of school site

44 A. A credit is allowed against the taxes imposed by this title in  
45 the amount of thirty percent of the value of real property and

1 improvements donated by the taxpayer to a school district or a charter  
2 school for use as a school or as a site for the construction of a school.

3 B. To qualify for the credit:

4 1. The real property and improvements must be located in this  
5 state.

6 2. The real property and improvements must be conveyed unencumbered  
7 and in fee simple, except that:

8 (a) The conveyance must include as a deed restriction and  
9 protective covenant running with title to the land the requirement that as  
10 long as the donee holds title to the property the property shall only be  
11 used as a school or as a site for the construction of a school, subject to  
12 subsection I or J of this section.

13 (b) In the case of a donation to a charter school, the donor shall  
14 record a lien on the property as provided by subsection J, paragraph 3 of  
15 this section.

16 3. The conveyance shall not violate section 15-341, subsection D or  
17 section 15-183, subsection U.

18 C. For the purposes of this section, the value of the donated  
19 property is the property's fair market value as determined in an appraisal  
20 as defined in section 32-3601 that is conducted by an independent party  
21 and that is paid for by the donee.

22 D. If the property is donated by co-owners, including individual  
23 partners in a partnership, each donor may claim only the pro rata share of  
24 the allowable credit under this section based on the ownership  
25 interest. If the property is donated by a husband and wife who file  
26 separate returns for a taxable year in which they could have filed a joint  
27 return, they may determine between them the share of the credit each will  
28 claim. The total of the credits allowed all co-owner donors may not  
29 exceed the allowable credit.

30 E. If the allowable tax credit exceeds the taxes otherwise due  
31 under this title on the claimant's income, or if there are no taxes due  
32 under this title, the taxpayer may carry the amount of the claim not used  
33 to offset the taxes under this title forward for not more than five  
34 consecutive taxable years' income tax liability.

35 F. The credit under this section is in lieu of any deduction  
36 pursuant to section 170 of the internal revenue code taken for state tax  
37 purposes.

38 G. On written request by the donee, the donor shall disclose in  
39 writing to the donee the amount of the credit allowed pursuant to this  
40 section with respect to the property received by the donee.

41 H. A school district or charter school may refuse the donation of  
42 any property for purposes of this section.

43 I. If the donee is a school district:

44 1. The district shall notify the DIVISION OF school facilities  
45 ~~board established by section 15-2001~~ WITHIN THE DEPARTMENT OF

1 ADMINISTRATION and furnish the ~~board~~ DIVISION with any information the  
2 ~~board~~ DIVISION requests regarding the donation. A school district shall  
3 not accept a donation pursuant to this section unless the ~~school~~  
4 ~~facilities board~~ DIVISION has reviewed the proposed donation and has  
5 issued a written determination that the real property and improvements are  
6 suitable as a school site or as a school. The ~~school facilities board~~  
7 DIVISION shall issue a determination that the real property and  
8 improvements are not suitable as a school site or as a school if the  
9 expenses that would be necessary to make the property suitable as a school  
10 site or as a school exceed the value of the proposed donation.

11 2. The district may sell any donated property pursuant to section  
12 15-342, but the proceeds from the sale shall only be used for capital  
13 projects. The ~~school facilities board shall~~ DIVISION OF SCHOOL FACILITIES  
14 WITHIN THE DEPARTMENT OF ADMINISTRATION SHALL withhold an amount that  
15 corresponds to the amount of the proceeds from any monies that would  
16 otherwise be due the school district from the ~~school facilities board~~  
17 DIVISION pursuant to section ~~15-2041~~ 41-5741.

18 J. If the donee is a charter school:

19 1. The charter school shall:

20 (a) Immediately notify the sponsor of the charter school by  
21 certified mail and shall furnish the sponsor with any information  
22 requested by the sponsor regarding the donation during the ~~ten-year~~  
23 TEN-YEAR period after the conveyance is recorded.

24 (b) Notify the sponsor by certified mail, and the sponsor shall  
25 notify the state treasurer, in the event of the charter school's financial  
26 failure or if the charter school:

27 (i) Fails to establish a charter school on the property within  
28 forty-eight months after the conveyance is recorded.

29 (ii) Fails to provide instruction to pupils on the property within  
30 forty-eight months after the conveyance is recorded.

31 (iii) Establishes a charter school on the property but subsequently  
32 ceases to operate the charter school on the property for twenty-four  
33 consecutive months or fails to provide instruction to pupils on the  
34 property for twenty-four consecutive months.

35 2. The charter school, or a successor in interest, shall pay to the  
36 state treasurer the amount of the credit allowed under this section, or if  
37 that amount is unknown, the amount of the allowable credit under this  
38 section, if any of the circumstances listed in paragraph 1, subdivision  
39 (b) of this subsection occurs. If the amount is not paid within one year  
40 after the treasurer receives notice under paragraph 1, subdivision (b) of  
41 this subsection, a penalty and interest shall be added, determined  
42 pursuant to title 42, chapter 1, article 3.

43 3. A tax credit under this section constitutes a lien on the  
44 property, which the donor must record along with the title to the property  
45 to qualify for the credit. The amount of the lien is the amount of the

1 allowable credit under this section, adjusted according to the average  
2 change in the GDP price deflator, as defined in section 41-563, for each  
3 calendar year since the donation, but not exceeding twelve and one-half  
4 percent more than the allowable credit. The lien is subordinate to any  
5 liens securing the financing of the school construction. The lien is  
6 extinguished on the earliest of the following:

7 (a) Ten years after the lien is recorded. After that date, the  
8 charter school, or a successor in interest, may request the state  
9 treasurer to release the lien.

10 (b) On payment to the state treasurer by the donee charter school,  
11 or by a successor in interest, of the amount of the allowable credit under  
12 this section, either voluntarily or as required by paragraph 2 of this  
13 subsection. After the required amount is paid, the charter school or  
14 successor in interest may request the state treasurer to release the lien.

15 (c) On conveyance of fee simple title to the property to a school  
16 district.

17 (d) On enforcement and satisfaction of the lien pursuant to  
18 paragraph 4 of this subsection.

19 4. The state treasurer shall enforce the lien by foreclosure within  
20 one year after receiving notice of any of the circumstances described in  
21 paragraph 1, subdivision (b) of this subsection.

22 5. Subject to paragraphs 3 and 4 of this subsection, the charter  
23 school may sell any donated property.

24 Sec. 77. Succession

25 A. As provided by this act, the school facilities division within  
26 the department of administration succeeds to the authority, powers, duties  
27 and responsibilities of the school facilities board as provided in this  
28 act.

29 B. This act does not alter the effect of any actions that were  
30 taken or impair the valid obligations of the school facilities board in  
31 existence before the effective date of this act.

32 C. Administrative rules and orders that were adopted by the school  
33 facilities board continue in effect until superseded by administrative  
34 action by the school facilities division within the department of  
35 administration as provided in this act.

36 D. All administrative matters, contracts and judicial and  
37 quasi-judicial actions, whether completed, pending or in process, of the  
38 school facilities board on the effective date of this act are transferred  
39 to and retain the same status with the school facilities division within  
40 the department of administration as provided in this act.

41 E. All certificates, licenses, registrations, permits and other  
42 indicia of qualification and authority that were issued by the school  
43 facilities board retain their validity for the duration of their terms of  
44 validity as provided by law.

1 F. All equipment, records, furnishings and other property, all data  
2 and investigative findings, all obligations and all appropriated monies  
3 that remain unexpended and unencumbered on the effective date of this act  
4 of the school facilities board are transferred to the school facilities  
5 division within the department of administration as provided in this act.

6 G. All personnel who are under the state personnel system and  
7 employed by the school facilities board are transferred to comparable  
8 positions and pay classifications in the respective administrative units  
9 of the division of school facilities within the department of  
10 administration on the effective date of this act.

11 Sec. 78. Requirements for enactment; three-fourths vote

12 Pursuant to article IV, part 1, section 1, Constitution of Arizona,  
13 section 42-5029, Arizona Revised Statutes, as amended by this act, is  
14 effective only on the affirmative vote of at least three-fourths of the  
15 members of each house of the legislature.