

Senate Engrossed

classroom site fund; distribution

State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 67
SENATE BILL 1139

AN ACT

AMENDING SECTIONS 15-977, 15-2084, 15-2085 AND 42-5029.02, ARIZONA REVISED
STATUTES; RELATING TO THE CLASSROOM SITE FUND.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-977, Arizona Revised Statutes, is amended to
3 read:

4 15-977. Classroom site fund; definitions

5 A. The classroom site fund is established consisting of monies
6 transferred to the fund pursuant to section 37-521, subsection B, section
7 42-5029, subsection E, paragraph 10 and section 42-5029.02, subsection A.
8 The department of education shall administer the fund. School districts
9 and charter schools may not supplant existing school site funding with
10 revenues from the fund. All monies distributed from the fund are intended
11 for use at the school site. ~~Each school district or charter school shall~~
12 ~~allocate forty percent of the monies for teacher compensation increases~~
13 ~~based on performance and employment related expenses, twenty percent of~~
14 ~~the monies for teacher base salary increases and employment related~~
15 ~~expenses and forty percent of the monies for maintenance and operation~~
16 ~~purposes as prescribed in subsection H of this section.~~ Teacher
17 compensation ~~increases based on performance or teacher base salary~~
18 ~~increases~~ distributed pursuant to this ~~subsection~~ SECTION shall
19 supplement, and not supplant, teacher compensation monies from any other
20 sources. The school district or charter school shall notify each school
21 principal of the amount available to the school by April 15 of each year.
22 The district or charter school shall request from the school's principal
23 each school's priority for the allocation of the funds available to the
24 school for each program listed under subsection H of this section. The
25 amount budgeted by the school district or charter school pursuant to this
26 section shall not be included in the allowable budget balance carryforward
27 calculated pursuant to section 15-943.01.

28 B. A school district governing board must adopt a performance based
29 compensation system at a public hearing to allocate funding from the
30 classroom site fund pursuant to subsection A of this section. Individual
31 teacher performance shall be a component of ~~the school district's portion~~
32 ~~of the forty percent~~ allocation for teacher compensation ~~based on~~
33 ~~performance and employment related expenses.~~

34 C. A school district governing board shall vote on a performance
35 based compensation system that includes the following elements:

- 36 1. School district performance and school performance.
- 37 2. Individual teacher performance. ~~The individual teacher~~
38 ~~performance component shall account for thirty-three percent of the forty~~
39 ~~percent allocation for teacher compensation based on performance and~~
40 ~~employment related expenses.~~
- 41 3. Measures of academic progress toward the academic standards
42 adopted by the state board of education.
- 43 4. Other measures of academic progress.
- 44 5. Dropout or graduation rates.
- 45 6. Attendance rates.
- 46 7. Ratings of school quality by parents.

1 8. Ratings of school quality by students.

2 9. The input of teachers and administrators.

3 10. Approval of the performance based compensation system based on
4 an affirmative vote of at least seventy percent of the teachers eligible
5 to participate in the performance based compensation system.

6 11. An appeals process for teachers who have been denied
7 performance based compensation.

8 12. Regular evaluation for effectiveness.

9 D. A performance based compensation system shall include teacher
10 professional development programs that are aligned with the elements of
11 the performance based compensation system.

12 E. A school district governing board may modify the elements
13 contained in subsection C of this section and consider additional elements
14 when adopting a performance based compensation system. A school district
15 governing board shall adopt any modifications or additional elements and
16 specify the criteria used at a public hearing.

17 F. Until December 31, 2009, each school district shall develop an
18 assessment plan for its performance based compensation system and submit
19 the plan to the department of education by December 31 of each year. A
20 copy of the performance based compensation system and assessment plan
21 adopted by the school district governing board shall be included in the
22 report submitted to the department of education.

23 G. Monies in the fund are continuously appropriated, are exempt
24 from the provisions of section 35-190 relating to lapsing of
25 appropriations and shall be distributed as follows:

26 1. By March 30 of each year, the staff of the joint legislative
27 budget committee shall determine a per pupil amount from the fund for the
28 budget year using the estimated statewide weighted count for the current
29 year pursuant to section 15-943, paragraph 2, subdivision (a) and based on
30 estimated available resources in the classroom site fund for the budget
31 year adjusted for any prior year carryforward or shortfall.

32 2. The allocation to each charter school and school district for a
33 fiscal year shall equal the per pupil amount established in paragraph 1 of
34 this subsection for the fiscal year multiplied by the weighted student
35 count for the school district or charter school for the fiscal year
36 pursuant to section 15-943, paragraph 2, subdivision (a). For the
37 purposes of this paragraph, the weighted student count for a school
38 district that serves as the district of attendance for nonresident pupils
39 shall be increased to include nonresident pupils who attend school in the
40 school district.

41 H. Monies distributed from the classroom site fund shall be spent
42 for the following ~~maintenance and operation~~ purposes:

43 1. Class size reduction.

44 2. Teacher compensation, ~~increases~~ INCLUDING A BASE PAY AND
45 PERFORMANCE PAY COMPONENT.

46 3. Assessment intervention programs.

4. Teacher development.
5. Dropout prevention programs.
6. Teacher liability insurance premiums.
7. **STUDENT SUPPORT SERVICES.**

I. The district governing board or charter school shall allocate the classroom site fund monies to include, if possible, the priorities identified by the principals of the schools while ensuring that the monies maximize classroom opportunities and conform to the authorized expenditures identified in subsection A of this section.

J. School districts and charter schools that receive monies from the classroom site fund shall submit a report by November 15 of each year to the superintendent of public instruction that provides an accounting of the expenditures of monies distributed from the fund during the previous fiscal year and a summary of the results of district and school programs funded with monies distributed from the fund. The department of education in conjunction with the auditor general shall prescribe the format of the report under this subsection.

K. School districts and charter schools that receive monies from the classroom site fund shall receive these monies monthly in an amount not to exceed one-twelfth of the monies estimated pursuant to subsection G of this section, except that if there are insufficient monies in the fund that month to make payments, the distribution for that month shall be prorated for each school district or charter school. The department of education may make an additional payment in the current month for any prior month or months in which school districts or charter schools received a prorated payment if there are sufficient monies in the fund that month for the additional payments. The state is not required to make payments to a school district or charter school classroom site fund if the state classroom site fund revenue collections are insufficient to meet the estimated allocations to school districts and charter schools pursuant to subsection G of this section.

L. The state education system for committed youth shall receive monies from the classroom site fund in the same manner as school districts and charter schools. The Arizona state schools for the deaf and the blind shall receive monies from the classroom site fund in an amount that corresponds to the weighted student count for the current year pursuant to section 15-943, paragraph 2, subdivision (b) for each pupil enrolled in the Arizona state schools for the deaf and the blind. Except as otherwise provided in this subsection, the Arizona state schools for the deaf and the blind and the state education system for committed youth are subject to this section in the same manner as school districts and charter schools.

M. Each school district and charter school, including school districts that unify pursuant to section 15-448 or consolidate pursuant to section 15-459, shall establish a local level classroom site fund to receive allocations from the state level classroom site fund. The local

1 level classroom site fund shall be a budgetary controlled account.
2 Interest charges for any registered warrants for the local level classroom
3 site fund shall be a charge against the local level classroom site fund.
4 Interest earned on monies in the local level classroom site fund shall be
5 added to the local level classroom site fund as provided in section
6 15-978. This state shall not be required to make payments to a school
7 district or charter school local level classroom site fund that are in
8 addition to monies transferred to the state level classroom site fund
9 pursuant to section 37-521, subsection B, section 42-5029, subsection E,
10 paragraph 10 and section 42-5029.02, subsection A.

11 N. Monies distributed from the classroom site fund for class size
12 reduction, assessment intervention and dropout prevention programs shall
13 only be used for instructional purposes in the instruction function as
14 defined in the uniform system of financial records, except that monies
15 shall not be used for school-sponsored athletics.

16 O. For the purposes of this section:

17 1. "Assessment intervention" means summer programs, after school
18 programs, before school programs or tutoring programs that are
19 specifically designed to ensure that pupils meet the Arizona academic
20 standards as measured by the statewide assessment prescribed by section
21 15-741.

22 2. "Class size reduction" means any maintenance and operations
23 expenditure that is designed to reduce the ratio of pupils to classroom
24 teachers, including the use of persons who serve as aides to classroom
25 teachers.

26 3. "STUDENT SUPPORT SERVICES" MEANS ANY EXPENDITURE IN THE STUDENT
27 SUPPORT SERVICES FUNCTION AS DEFINED IN THE UNIFORM SYSTEM OF FINANCIAL
28 RECORDS.

29 Sec. 2. Section 15-2084, Arizona Revised Statutes, is amended to
30 read:

31 15-2084. School improvement revenue bond debt service fund

32 A. The school facilities board shall establish a school improvement
33 revenue bond debt service fund consisting of monies received by the school
34 facilities board pursuant to section 42-5029, subsection E, ~~section~~
35 ~~42-5029.02, subsection A, paragraph 1~~ and section 37-521, subsection B,
36 paragraph 1. All monies received pursuant to section 42-5029, subsection
37 E ~~and section 42-5029.02, subsection A, paragraph 1~~ shall be accounted for
38 separately and shall be used only for debt service of school improvement
39 revenue bonds. All monies received pursuant to section 37-521, subsection
40 B, paragraph 1 shall be accounted for separately and shall be used only
41 for debt service of qualified zone academy bonds.

42 B. Monies in the school improvement revenue bond debt service fund
43 may be used only for the purposes authorized by this article.

44 C. The state treasurer or bond trustee shall administer and account
45 for the school improvement revenue bond debt service fund.

1 Sec. 3. Section 15-2085, Arizona Revised Statutes, is amended to
2 read:

3 15-2085. Securing principal and interest

4 A. In connection with issuing bonds authorized by this article and
5 to secure the principal and interest on the bonds, the school facilities
6 board by resolution may:

7 1. Segregate the school improvement revenue bond debt service fund
8 into one or more accounts and subaccounts and provide that bonds issued
9 under this article may be secured by a lien on all or part of the monies
10 paid into the revenue bond debt service fund or into any account or
11 subaccount in the fund.

12 2. Provide that the bonds issued under this article ~~are~~ BE secured
13 by a first lien on the monies paid into the school improvement revenue
14 bond debt service fund as provided by section 42-5029, subsection E,
15 paragraph 1 ~~and section 42-5029.02, subsection A, paragraph 1~~ and pledge
16 and assign to or in trust for the benefit of the holder or holders of the
17 bonds all or part of the monies in the school improvement revenue bond
18 debt service fund, in any account or subaccount in the fund or in the
19 school improvement revenue bond proceeds fund as is necessary to secure
20 and pay the principal, the interest and any premium on the bonds as they
21 come due.

22 3. Establish priorities among bondholders based on criteria adopted
23 by the board.

24 4. Set aside, regulate and dispose of reserves and sinking
25 accounts.

26 5. Prescribe the procedure, if any, by which the terms of any
27 contract with bondholders may be amended or abrogated, the amount of bonds
28 the holders of which must consent to and the manner in which the consent
29 may be given.

30 6. Provide for ~~payment of bond related~~ PAYING BOND-RELATED expenses
31 from the proceeds of the sale of the bonds or other revenues authorized by
32 this article and available to the board.

33 7. Provide for the services of trustees, cotrustees, agents and
34 consultants and other specialized services with respect to the bonds.

35 8. Take any other action that in any way may affect the security
36 and protection of the bonds or interest on the bonds.

37 9. Refund any bonds issued by the board, if these bonds are secured
38 from the same source of revenues as the bonds authorized by this article,
39 by issuing new bonds, whether at or before maturity of the bonds being
40 refunded.

41 10. Issue bonds partly to refund outstanding bonds and partly for
42 any other purpose consistent with this article.

43 B. Bonds THAT ARE issued to refund any bonds issued by the board as
44 provided by subsection A, paragraphs 9 and 10 of this section are not
45 subject to legislative authorization or subject to the ~~eight hundred~~

1 ~~million dollar limitation~~ \$800,000,000 LIMIT prescribed by section
2 15-2081, subsection A.

3 Sec. 4. Section 42-5029.02, Arizona Revised Statutes, is amended to
4 read:

5 42-5029.02. Distribution of revenues for education; definitions

6 A. All monies collected pursuant to section 42-5010.01 and section
7 42-5155, subsection E shall be distributed each fiscal year pursuant to
8 this subsection. The monies distributed pursuant to this subsection are
9 in addition to any other appropriation, transfer or other allocation of
10 public or private monies from any other source and may not supplant,
11 replace or cause a reduction in other school district, charter school,
12 university or community college funding sources. The monies shall be
13 distributed as follows:

14 1. \$64,100,000 is appropriated each fiscal year, to be paid in
15 monthly installments, to the superintendent of public instruction for
16 basic state aid.

17 2. After any transfer of monies pursuant to paragraph 1 of this
18 subsection, twelve percent of the remaining monies collected during the
19 preceding month shall be transferred to the technology and research
20 initiative fund established by section 15-1648 to be distributed among the
21 universities under the jurisdiction of the Arizona board of regents for
22 the purpose of investment in technology and research-based initiatives.

23 3. After the transfer of monies pursuant to paragraph 1 of this
24 subsection, three percent of the remaining monies collected during the
25 preceding month shall be transferred to the workforce development account
26 established in each community college district pursuant to section 15-1472
27 for the purpose of investment in workforce development programs.

28 4. After the transfer of monies pursuant to paragraphs 1, 2 and 3
29 of this subsection, one-twelfth of the amount a community college that is
30 owned, operated or chartered by a qualifying Indian tribe on its own
31 Indian reservation would receive pursuant to section 15-1472,
32 subsection D, paragraph 2 if it were a community college district shall be
33 distributed each month to the treasurer or other designated depository of
34 the qualifying Indian tribe. Monies distributed pursuant to this
35 paragraph are for the exclusive purpose of providing support to one or
36 more community colleges that are owned, operated or chartered by a
37 qualifying Indian tribe and shall be used in a manner consistent with
38 section 15-1472, subsection B.

39 5. After the transfer of monies pursuant to paragraphs 1, 2 and 3
40 of this subsection, one-twelfth of \$86,280,500 shall be transferred each
41 month to the department of education for the increased cost of basic state
42 aid under section 15-971 due to added school days and associated teacher
43 salary increases that were enacted in 2000.

44 6. After the transfer of monies pursuant to paragraphs 1, 2 and 3
45 of this subsection, \$7,800,000 is appropriated each fiscal year, to be
46 paid in monthly installments, to the department of education to be used

1 for school safety as provided in section 15-154 and \$200,000 is
2 appropriated each fiscal year, to be paid in monthly installments, to the
3 department of education to be used for the character education matching
4 grant program as provided in section 15-154.01.

5 7. After the transfer of monies pursuant to paragraphs 1, 2 and 3
6 of this subsection, the legislature may not appropriate more than
7 \$7,000,000 each fiscal year to the department of education to be used for
8 accountability purposes as described in section 15-241.02 and title 15,
9 chapter 9, article 8.

10 8. After the transfer of monies pursuant to paragraphs 1, 2 and 3
11 of this subsection, \$1,500,000 is appropriated each fiscal year, to be
12 paid in monthly installments, to the failing schools tutoring fund
13 established by section 15-241.

14 9. After the transfer of monies pursuant to paragraphs 1, 2 and 3
15 of this subsection, \$25,000,000 shall be transferred each fiscal year to
16 the state general fund to reimburse the state general fund for the cost of
17 the income tax credit allowed by section 43-1072.02.

18 10. After the transfer of monies pursuant to paragraphs 1 through 9
19 of this subsection, the remaining monies collected during the preceding
20 month shall be transferred to the classroom site fund established by
21 section 15-977. The monies shall be allocated ~~as follows~~ in the manner
22 prescribed by section 15-977:-

23 ~~(a) Forty percent shall be allocated for teacher compensation based~~
24 ~~on performance.~~

25 ~~(b) Twenty percent shall be allocated for increases in teacher base~~
26 ~~compensation and employee-related expenses.~~

27 ~~(c) Forty percent shall be allocated for maintenance and operation~~
28 ~~purposes.~~

29 B. For the purposes of this section:

30 1. "Community college district" means a community college district
31 that is established pursuant to sections 15-1402 and 15-1403 and that is a
32 political subdivision of this state and, unless otherwise specified,
33 includes a community college tuition financing district established
34 pursuant to section 15-1409.

35 2. "Qualifying Indian tribe" has the same meaning as defined in
36 section 42-5031.01.

APPROVED BY THE GOVERNOR MARCH 18, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 18, 2021.