

House Engrossed

school districts; leases; termination; nonrenewal

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2640

AN ACT

AMENDING SECTIONS 15-119 AND 15-1102, ARIZONA REVISED STATUTES; RELATING
TO SCHOOL LEASES.

(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; lease termination and renewal; equipment;
6 definitions

7 A. The division of school facilities within the department of
8 administration shall annually publish a list of vacant buildings and
9 partially used buildings that are owned by this state or by school
10 districts in this state and that may be suitable for the operation of a
11 school. The division of school facilities shall make the list publicly
12 available on the website of the division of school facilities and on
13 request to applicants for charter schools, to applicants applying to the
14 division of school facilities for additional space and to existing
15 district and charter schools. The list shall include the address of each
16 building, a short description of the building, the name of the owner of
17 the building and any other pertinent information related to the vacancy
18 and capacity of the building. The division of school facilities shall
19 annually submit the list to the governor, the president of the senate and
20 the speaker of the house of representatives and provide a copy of the list
21 to the secretary of state 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 CHARTER SCHOOL
26 OR ITS CHARTER AUTHORIZER THAT IS LEASING A BUILDING FROM A SCHOOL
27 DISTRICT OR THAT IS THE MOST RECENT LESSEE OF A VACANT BUILDING THAT IS
28 OWNED BY A SCHOOL DISTRICT HAS THE RIGHT OF FIRST REFUSAL TO PURCHASE THE
29 BUILDING IF THE SCHOOL DISTRICT DECIDES TO SELL THE BUILDING. A school
30 district may not accept an offer for the sale or lease of the vacant
31 building or partially used building from a potential buyer or lessee that
32 is less than an offer from a charter school or private school. This
33 section does not require the owner of a building on the list to sell or
34 lease the building or a portion of the building to a charter school, to
35 any other school or to any other prospective buyer or tenant, except that
36 the owner of a building on the list may not withdraw the property from
37 sale or lease solely because a charter school or private school is the
38 highest bidder OR EXERCISES ITS RIGHT OF FIRST REFUSAL PURSUANT TO THIS
39 SUBSECTION.

40 C. At the conclusion of a lease for an existing tenant that is a
41 public school OR PRIVATE SCHOOL or that ~~is providing~~ PROVIDES services to
42 public school students, the lease may be terminated, renewed according to
43 the terms of the existing agreement, or renewed with a negotiated
44 increase, ~~—~~ EXCEPT THAT:

1 1. IF THE BUILDING OWNER INTENDS TO NEGOTIATE AN INCREASE, the
2 building owner must provide the rationale for a proposed increase to the
3 lessee, which may include considerations for the percentage of revenue
4 that should be dedicated to educational facilities, inflators related to
5 student enrollment increases or the annual GDP price deflator as defined
6 in section 41-563, or expenses for building and parking lot maintenance
7 and upgrades.

8 2. A SCHOOL DISTRICT, AS THE BUILDING OWNER, MAY TERMINATE THE
9 LEASE OR REFUSE TO RENEW THE LEASE ONLY IF THE SCHOOL DISTRICT GOVERNING
10 BOARD DOES ALL OF THE FOLLOWING:

11 (a) ANNOUNCES IN A PUBLIC HEARING THAT THE BOARD PROPOSES TO REFUSE
12 TO RENEW OR TO TERMINATE THE LEASE.

(b) PROVIDES AN OPPORTUNITY FOR PUBLIC COMMENT REGARDING THE PROPOSAL THAT IS ANNOUNCED PURSUANT TO SUBDIVISION (a) OF THIS PARAGRAPH FOR AT LEAST NINETY DAYS AFTER THE DATE OF THE ANNOUNCEMENT AND BEFORE THE BOARD MAY VOTE ON THE PROPOSAL. PUBLIC COMMENT MAY INCLUDE WRITTEN COMMENTS, COMMENTS SUBMITTED THROUGH EMAIL OR ORAL COMMENTS DURING PUBLIC HEARINGS REQUIRED PURSUANT TO THIS PARAGRAPH.

19 (c) REVIEWS AND CONSIDERS ANY PUBLIC COMMENTS SUBMITTED PURSUANT TO
20 SUBDIVISION (b) OF THIS PARAGRAPH BEFORE APPROVING THE NONRENEWAL OR
21 TERMINATION OF THE LEASE.

22 (d) APPROVES THE PROPOSAL TO REFUSE TO RENEW OR TO TERMINATE THE
23 LEASE IN A PUBLIC HEARING BEFORE THE DATE OF THE PROPOSED TERMINATION OR
24 THE DATE ON WHICH THE LEASE IS SCHEDULED TO EXPIRE.

25 ~~E.~~ D. A school district may sell used equipment to a charter
26 school or private school before the school district attempts to sell or
27 dispose of the equipment by other means.

~~D.~~ E. Buildings that are used for career and technical education, special education services, ~~OR~~ preschool programs, schools that have been open for fewer than five years or magnet schools are not considered partially used buildings for the purposes of this section, except that this exemption may not be applied to more than twenty-five percent of a district's school buildings.

34 ~~E.~~ F. For the purposes of this section:

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

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

39 Sec. 2. Section 15-1102, Arizona Revised Statutes, is amended to
40 read:

41 15-1102. Disposition of proceeds from sale or lease of school
42 property; school plant monies; payment of bonded
43 indebtedness; definition

44 A. The governing board, or the superintendent or chief
45 administrative officer with the approval of the governing board, may

1 expend the proceeds from the sale or lease of school property for the
2 payment of any outstanding bonded indebtedness of the school district or
3 for the reduction of school district taxes.

4 B. A common school district or a high school district that has an
5 outstanding bonded indebtedness of seven percent of the current year's
6 assessed valuation or less or a unified school district that has an
7 outstanding bonded indebtedness of fourteen percent of the current year's
8 assessed valuation or less may expend the proceeds from the sale or lease
9 of school property as follows:

10 1. The total sum of the proceeds from the sale of school property
11 executed before July 1, 2016, ~~for the total sum of the proceeds from the~~
12 ~~sale of property to a school~~ or the total sum of the proceeds from the
13 lease of school property to persons or entities other than schools for
14 more than one year:

15 (a) May be expended for maintenance and operation in an amount that
16 does not exceed fifteen percent of the revenue control limit for that year
17 as provided in section 15-947, subsection A in any year.

18 (b) May be expended for capital outlay in any amount.

19 2. From and after June 30, 2016, proceeds from the sale of school
20 property that exceed ~~one hundred thousand dollars~~ \$100,000 per sales
21 transaction to persons or entities other than schools may not be expended
22 for maintenance and operation and may be expended for capital outlay in
23 any amount.

24 C. A common school district or a high school district that has an
25 outstanding bonded indebtedness of greater than seven percent of the
26 current year's assessed valuation or a unified school district that has an
27 outstanding bonded indebtedness of greater than fourteen percent of the
28 current year's assessed valuation may expend the proceeds from the lease
29 or sale of school property as follows:

30 1. For the total sum of the proceeds from the sale of school
31 property executed before July 1, 2016, ~~for the total sum of the proceeds~~
32 ~~from the sale of property to a school~~ or for the total sum of the proceeds
33 from the lease of school property to persons or entities other than
34 schools for more than one year:

35 (a) Up to twenty-five percent of the sales proceeds may be expended
36 for maintenance and operation in an amount that does not exceed fifteen
37 percent of the revenue control limit for that year as provided in section
38 15-947, subsection A in any year.

39 (b) The sales or lease proceeds may be expended for capital outlay
40 in any amount.

41 2. From and after June 30, 2016, for proceeds from the sale of
42 school property that exceed ~~one hundred thousand dollars~~ \$100,000 per
43 sales transaction to persons or entities other than schools:

44 (a) The sales proceeds may not be expended for maintenance and
45 operation.

1 (b) At least thirty-eight percent of the sales proceeds shall be
2 used for the payment of any outstanding bonded indebtedness of the school
3 district or for the reduction of school district taxes.

4 (c) The remainder of the sales proceeds that are not obligated
5 pursuant to subdivision (b) of this paragraph may be expended for capital
6 outlay in any amount.

7 D. The governing board, or the superintendent or chief
8 administrative officer with the approval of the governing board, shall
9 promptly deposit monies received for and derived from the sale or lease of
10 school property with the county treasurer who shall establish a school
11 plant fund. Monies placed to the credit of the school plant fund may be
12 expended as provided in this section. The school plant fund is a
13 continuing fund that is not subject to reversion.

14 E. Proceeds from sales by condemnation or sales under threat of
15 condemnation may be deposited with the county treasurer for deposit in the
16 condemnation fund or the school plant fund of the school district. The
17 condemnation fund is a continuing fund that is not subject to reversion,
18 except that after ten years any unspent monies shall be placed in the
19 school plant fund to be used as prescribed in this section. The governing
20 board, or the superintendent or chief administrative officer with the
21 approval of the governing board, may apply the proceeds in the
22 condemnation fund to:

23 1. ~~The payment of~~ PAY any outstanding bonded indebtedness of the
24 school district that is payable from the levy of taxes on property within
25 the school district.

26 2. Construct, acquire, improve, repair or furnish school facilities
27 or sites after notice and a hearing.

28 F. Proceeds from a right-of-way settlement shall be deposited with
29 the county treasurer for deposit in the condemnation fund of the school
30 district. The governing board, or the superintendent or chief
31 administrative officer with the approval of the governing board, shall
32 apply those proceeds in the condemnation fund to construct, acquire,
33 improve, repair or furnish school facilities or sites after notice and a
34 hearing.

35 G. The restrictions prescribed in subsections B and C of this
36 section do not apply to the proceeds from:

37 1. Leases of school property to other schools.

38 2. Leases of school property for less than one year.

39 3. Sales of school property of less than one hundred thousand
40 dollars per transaction.

41 4. SALES OF SCHOOL PROPERTY TO OTHER SCHOOLS, INCLUDING CHARTER
42 AUTHORIZERS.

43 H. A lease of school property for less than one year that includes
44 an automatic lease renewal resulting in a total lease duration that

1 exceeds one year is considered a lease for more than one year for the
2 purposes of this section.

3 I. For the purposes of this section, "capital outlay" means
4 unrestricted capital outlay as prescribed in section 15-903, subsection C.

5 Sec. 3. Retroactivity

6 Section 15-119, Arizona Revised Statutes, as amended by this act,
7 applies retroactively to from and after January 1, 2025.