

Senate Engrossed

school districts; overexpenditures; ADE; notice

State of Arizona  
Senate  
Fifty-seventh Legislature  
First Regular Session  
2025

# SENATE BILL 1689

AN ACT

AMENDING SECTIONS 15-107 AND 15-304, ARIZONA REVISED STATUTES; RELATING TO  
SCHOOL DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-107, Arizona Revised Statutes, is amended to  
3 read:

4 15-107. School district overexpenditures; fiscal crisis  
5 teams; quarterly progress reports; fiscal  
6 management report; annual report; actions resulting  
7 from overexpenditures; professional development;  
8 definition

9 A. A county school superintendent, within two business days, shall  
10 provide written notice to the department of education, if, in the county  
11 school superintendent's judgment, a school district has committed an  
12 overexpenditure under this section. IF THE DEPARTMENT OF EDUCATION,  
13 WITHOUT PRIOR NOTIFICATION FROM A COUNTY SCHOOL SUPERINTENDENT, DETERMINES  
14 IN THE DEPARTMENT'S JUDGMENT THAT A SCHOOL DISTRICT HAS COMMITTED AN  
15 OVEREXPENDITURE UNDER THIS SECTION, THE DEPARTMENT SHALL NOTIFY THE COUNTY  
16 SCHOOL SUPERINTENDENT OF THE COUNTY IN WHICH THE SCHOOL DISTRICT IS  
17 LOCATED AND TAKE ANY ACTIONS REQUIRED BY THIS SECTION. Notwithstanding  
18 any other law, a warrant shall not be drawn by a county school  
19 superintendent for an expenditure that is in excess of the amount budgeted  
20 and that has not been previously expended, unless the county school  
21 superintendent is notified in writing by the department of education that  
22 budget capacity exists as determined by the department based on  
23 information provided by the school district.

24 B. The department of education, in conjunction with the county  
25 school superintendent, shall monitor the school district and provide  
26 technical assistance to the school district and to the county school  
27 superintendent to resolve the overexpenditure.

28 C. If the department of education determines that the school  
29 district has failed to take appropriate action to resolve the  
30 overexpenditure or that the original notice of overexpenditure pursuant to  
31 subsection A of this section constitutes an overexpenditure that will  
32 cause the school district's overall expenditures to exceed the school  
33 district's general budget limit or unrestricted capital budget limit by  
34 ~~fifty thousand dollars~~ \$50,000 or one-half of one ~~per cent~~ PERCENT,  
35 whichever is less, the department shall request that the matter be placed  
36 on the agenda of a meeting of the state board of education for action  
37 pursuant to this section.

38 D. At the request of the department of education, the state board  
39 of education shall call a public meeting to consider overexpenditures by  
40 any school district. The state board of education shall require the  
41 superintendent of the school district and any other school district  
42 personnel who may have information relevant to the overexpenditure to  
43 appear before the state board of education. After testimony from all  
44 interested parties, the state board of education shall take one of the  
45 following actions:

1           1. Require the department of education, in conjunction with the  
2 county school superintendent, to monitor the expenditures of the school  
3 district.

4           2. Direct the department of education to contract with a level one  
5 fiscal crisis team. The level one fiscal crisis team shall provide  
6 on-site oversight and off-site monitoring for the school district for ~~no~~  
7 ~~NOT~~ longer than twelve months and shall advise the school district on all  
8 financial issues and professional development training related to  
9 financial issues.

10          3. Direct the department of education to contract with a level two  
11 fiscal crisis team. The level two fiscal crisis team shall provide  
12 on-site oversight and off-site monitoring for the school district for ~~no~~  
13 ~~NOT~~ longer than twenty-four months, shall have the authority prescribed  
14 for level one fiscal crisis teams and may override any financial act or  
15 decision of the school district, including expenditures.

16          4. Appoint a receiver who, subject to the discretion of the state  
17 board of education, may take any actions prescribed in section 15-103,  
18 subsection F.

19          E. The level one and level two fiscal crisis teams shall be  
20 composed of at least one person who has knowledge of school finance and  
21 may include current or former school district financial officers, current  
22 or former school district business managers, certified public accountants  
23 and current or former school district superintendents. The fiscal crisis  
24 teams shall not include employees of the state board of education or the  
25 department of education.

26          F. The expenses incurred by a fiscal crisis team or by a receiver  
27 appointed pursuant to this section shall be paid by the school district.  
28 The state board of education shall review the expenses and costs of each  
29 fiscal crisis team at least once each calendar quarter.

30          G. Beginning ninety days after submitting the fiscal management  
31 report prescribed in subsection H of this section, the fiscal crisis team  
32 or receiver appointed pursuant to this section shall submit a detailed  
33 written quarterly progress report to the state board of education that  
34 includes all of the following:

35           1. The results of the review of the school district's finances,  
36 including expenditures.

37           2. The recommendations and decisions made by the fiscal crisis team  
38 or the receiver appointed pursuant to this section.

39           3. The status of the fiscal management plan described pursuant to  
40 subsection H of this section.

41           4. Recommendations to the state board of education on the content  
42 of professional development training related to overexpenditures.

43           5. Any recommendations of potential action to be taken concerning  
44 professional certificates issued to school district personnel by the state  
45 board of education or the department of education. The state board of

1 education shall review the recommendations submitted pursuant to this  
2 paragraph and shall take appropriate action.

3 H. After appointment, the fiscal crisis team or the receiver  
4 appointed pursuant to this section shall review the financial affairs of  
5 the school district and may work with school finance personnel at the  
6 department of education to ensure that the finances of the school district  
7 are in compliance with the laws of this state. A school district that has  
8 been assigned a fiscal crisis team or a receiver pursuant to this section  
9 shall submit, in consultation with the receiver or the fiscal crisis team,  
10 a fiscal management report to the state board of education within one  
11 hundred twenty days after the date that the state board of education  
12 appointed the receiver or the fiscal crisis team. The fiscal management  
13 report shall include the following:

14 1. A description of the fiscal management plan that has been  
15 implemented to correct the overexpenditure, including the following:

16 (a) The manner in which the fiscal management plan will address the  
17 findings and recommendations of the fiscal crisis team.

18 (b) A timeline for complete resolution of the overexpenditure.

19 (c) A detailed explanation of the methods and procedures that will  
20 be implemented to prevent future overexpenditures.

21 (d) The identification of any issues that need to be resolved  
22 before the fiscal management plan may be fully implemented.

23 (e) The identification of any long-term issues resulting from the  
24 overexpenditure that will extend to future fiscal years.

25 2. A description of the manner in which the fiscal management plan  
26 was developed, including identification of the role of the fiscal crisis  
27 team or the receiver, the role of the school district governing board and  
28 the role of the administrators of the school district.

29 I. On or before December 31, the state board of education shall  
30 submit an annual report to the governor, the president of the senate and  
31 the speaker of the house of representatives. The state board shall  
32 provide a copy of this report to the secretary of state. The annual  
33 report shall include the following:

34 1. A summarized compilation of the fiscal management reports  
35 submitted by school districts pursuant to subsection H of this section.

36 2. The actions taken by the state board of education, the  
37 department of education, school districts, fiscal crisis teams and  
38 receivers during the most recently completed fiscal year.

39 3. Recommendations regarding improvements to the laws of this state  
40 or to administrative actions required under the laws of this state.

41 J. A school district that is assigned a level two fiscal crisis  
42 team or a receiver pursuant to this section shall require professional  
43 development training for school district governing board members and  
44 appropriate administrative personnel of the school district, including the  
45 school district superintendent, who are involved in district finances and

1 budgeting, as determined by the level two fiscal crisis team or by the  
2 receiver. The professional development training shall be selected from a  
3 list approved by the state board of education, and the cost of the  
4 professional development training shall be paid by the school district.  
5 Governing board members and district administrative personnel shall  
6 complete at least twelve hours of professional development training within  
7 one hundred twenty days after the assignment of a level two fiscal crisis  
8 team or the appointment of a receiver. The fiscal crisis team or the  
9 receiver shall report to the state board of education whether the  
10 professional development training requirements prescribed in this  
11 subsection have been met.

12 K. A school district governing board member who fails to complete  
13 the professional development training within the time prescribed in  
14 subsection J of this section is guilty of nonfeasance in office, and the  
15 state board of education shall forward a complaint to the attorney  
16 general. The attorney general may bring an action in superior court  
17 against a school district governing board member for failure to comply  
18 with the professional development training requirements prescribed in  
19 subsection J of this section. If a court determines that a school district  
20 governing board member failed to comply with the professional development  
21 training requirements prescribed in subsection J of this section, the  
22 court shall issue an order removing the school district governing board  
23 member from office. Any vacancy in the office of the school district  
24 governing board as a result of a court order issued pursuant to this  
25 subsection shall be filled in the manner provided by law.

26 L. If any of the administrative personnel of the school district  
27 fails to complete the professional development training within the time  
28 prescribed in subsection J of this section, the state board of education  
29 may take appropriate action concerning current certificates held by that  
30 person.

31 M. All information received and records or reports kept by the  
32 state board of education during an investigation resulting from a  
33 complaint against a receiver appointed pursuant to this section or section  
34 15-103 are confidential and not a public record.

35 N. For the purposes of this section, "overexpenditure" means an  
36 expenditure ~~in excess of~~ THAT EXCEEDS any of the following:

37 1. The general budget limit of the school district or the amount  
38 budgeted by the school district, whichever is less.

39 2. The unrestricted capital budget limit of the school district or  
40 the amount budgeted for capital by the school district, whichever is less.

41 Sec. 2. Section 15-304, Arizona Revised Statutes, is amended to  
42 read:

43 15-304. Warrants; limitations; definition

44 A. The county school superintendent, on the voucher of the  
45 governing board of a school district, shall draw the county school

1 superintendent's warrant on the county treasurer for all necessary  
2 expenses against the school fund of the district. The warrants shall be  
3 drawn in the order in which the vouchers are filed in the county school  
4 superintendent's office. In lieu of drawing warrants, the county school  
5 superintendent may issue an electronic transfer pursuant to section 11-493  
6 for expenditures authorized by this section. Unless ~~notified by~~ the  
7 department of education **NOTIFIES THE COUNTY SCHOOL SUPERINTENDENT IN**  
8 **WRITING** pursuant to section 15-107 **THAT BUDGET CAPACITY EXISTS**, a warrant  
9 shall not be drawn for an expenditure from the maintenance and operation,  
10 capital outlay, adjacent ways and federal and state grant funds for a  
11 purpose not included in the budget of the school district or for an  
12 expenditure in excess of the amount budgeted and not previously expended,  
13 except for expenditures authorized by the board of supervisors as provided  
14 in section 15-907. The county school superintendent shall not draw a  
15 warrant for an expenditure from any school district fund except the  
16 maintenance and operation, capital outlay or adjacent ways fund or federal  
17 and state grant funds unless sufficient cash is available in the fund  
18 according to the records of the county school superintendent. The county  
19 school superintendent may only draw a warrant for an expenditure from a  
20 federal or state grant fund when sufficient cash is not available in the  
21 grant fund if the county treasurer maintains the two accounts as provided  
22 in section 15-996, paragraph 1 and if the county school superintendent  
23 determines that the expenditures are included in the budget section of the  
24 approved grant application. Warrants may be processed through an  
25 electronic payment system.

26 B. A county school superintendent, within two business days, shall  
27 provide written notice to the department of education, if, in the county  
28 school superintendent's judgment, a school district has committed an  
29 overexpenditure as defined in section 15-107.

30 C. The state board of education shall require a county school  
31 superintendent who fails to comply with the notification requirements of  
32 subsection B of this section to complete professional development  
33 training. The state board of education may also require the employees of  
34 a county school superintendent who are involved in school district  
35 finances and budgeting to complete professional development training. The  
36 professional development training shall be selected from a list approved  
37 by the state board of education, and the cost of the professional  
38 development training shall be paid by the county school  
39 superintendent. County school superintendents and employees of the county  
40 school superintendent who are involved in district finances and budgeting  
41 shall complete at least twelve hours of professional development training  
42 within one hundred twenty days after the decision of the state board of  
43 education to require professional development training of the county  
44 school superintendent and the employees of the county school  
45 superintendent who are involved in district finances and budgeting.

1           D. A county school superintendent who fails to complete the  
2 professional development training within the time prescribed in subsection  
3 C of this section is guilty of nonfeasance in office, and the state board  
4 of education shall forward a complaint to the attorney general. The  
5 attorney general may bring an action in superior court against a county  
6 school superintendent for failure to comply with the professional  
7 development training requirements prescribed in subsection C of this  
8 section. If a court determines that a county school superintendent failed  
9 to comply with the professional development training requirements  
10 prescribed in subsection C of this section, the court shall issue an order  
11 removing the county school superintendent from office.

12           E. A county school superintendent who fails to comply with the  
13 notification requirements of subsection B of this section more than once  
14 is guilty of unprofessional conduct. The attorney general may commence an  
15 action in superior court to enforce this subsection against any county  
16 school superintendent who violates the notification requirements of  
17 subsection B of this section more than once. If the court determines that  
18 a county school superintendent is guilty of unprofessional conduct, the  
19 court shall issue an order directing the removal of the county school  
20 superintendent from office.

21           F. Any vacancy in the office of county school superintendent shall  
22 be filled in the manner prescribed by section 11-251.

23           G. For the purposes of this section, "voucher" means a summary  
24 cover sheet and either copies of the invoices of the expenditure or a  
25 listing of the invoice detail.