

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2610
(Reference to printed bill)

Amendment instruction key:

[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.

[Green underlining in brackets] indicates text added to new session law or text restoring existing law.

[GREEN STRIKEOUT IN BRACKETS] indicates new text removed from statute or previously enacted session law.

[Green strikeout in brackets] indicates text removed from existing statute, previously enacted session law or new session law.

<<Green carets>> indicate a section added to the bill.

<<Green strikeout in carets>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 Section 1. Section 15-103, Arizona Revised Statutes, is amended to

3 read:

4 **15-103. School districts: financial mismanagement:**

5 **intervention; receivership; definitions**

6 A. The state board of education shall review allegations of school

7 district insolvency and gross mismanagement. The state board shall give

8 the school district an opportunity to respond to these allegations at a

9 public meeting. If the state board determines that the school district is

10 insolvent or has grossly mismanaged its finances, the state board shall

11 appoint a receiver or fiscal crisis team for that school district.

12 B. The state board shall find a school district insolvent if it

13 finds one or more of the following:

14 1. The school district is unable to pay debts as they fall due or

15 in the usual course of business.

16 2. The salaries of any teachers or other employees have remained

17 unpaid for forty-five days.

18 3. The tuition due another school district or other state

19 institution remains unpaid on or after January 1 of the year following the

20 school year it was due and there is no dispute regarding the validity or

21 amount of the claim.

22 4. The school district has defaulted in payment of its bonds or

23 interest on bonds or in payment of rentals due any state or federal

24 authority or private business for a period of sixty calendar days and no

25 action has been initiated within that period of time to make payment.

26 5. The school district has contracted for any loan not authorized

27 by law.

1 6. The school district has accumulated and has operated with a
2 deficit equal to five ~~per cent~~ PERCENT or more of the school district's
3 revenue control limit for any fiscal year within the past two fiscal years
4 or the conditions prescribed in section 15-107 have occurred.

5 7. The school district's warrants have not been honored for payment
6 by the school district's servicing bank or by the county treasurer and the
7 warrants have remained unpaid for a period of more than sixty calendar
8 days.

9 C. A school district shall not be deemed to be insolvent pursuant
10 to subsection B of this section if the circumstances are the result of the
11 failure of the state to make any payments of monies due the school
12 district at the time payment is due.

13 D. The state board of education ~~shall have~~ HAS jurisdiction over
14 all petitions requesting that a school district be placed in receivership
15 and a receiver be appointed or that a fiscal crisis team be appointed
16 because of the school district's alleged insolvency or gross
17 mismanagement. The state board ~~shall have~~ HAS the burden of demonstrating
18 by a preponderance of the evidence that the school district is insolvent
19 or is engaged in gross mismanagement.

20 E. If the state board of education finds that the school district
21 is insolvent or has engaged in gross mismanagement, the state board may
22 place the school district in receivership and appoint a receiver
23 recommended by the state board. The state board shall develop and adopt a
24 list of qualified receivers to be appointed by the board.

25 F. On appointment, the receiver SHALL PERFORM THE ACTIONS
26 PRESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION AND may perform any of the
27 actions prescribed in ~~paragraphs 1 through 11~~ PARAGRAPH 2 of this
28 subsection and shall begin a full review and investigation of the school
29 district's financial affairs and submit to the state board of education a
30 detailed report listing the findings of that investigation that ~~shall~~
31 ~~include~~ INCLUDES a financial improvement plan and budget that details how
32 the school district will eliminate any continued gross financial
33 mismanagement and achieve financial solvency. The plan shall include a
34 proposed timeline for achieving financial solvency. The receiver shall
35 submit the report within one hundred twenty days after the receiver's
36 appointment. The financial improvement plan approved by the state board
37 of education:

38 1. SHALL REQUIRE THE RECEIVER TO TERMINATE FOR CAUSE THE SCHOOL
39 DISTRICT SUPERINTENDENT. THE RECEIVER MAY NOT PROVIDE A SEVERANCE OR
40 BUYOUT PACKAGE TO THE SCHOOL DISTRICT SUPERINTENDENT IF THE STATE BOARD OF
41 EDUCATION PLACES THE SCHOOL DISTRICT IN RECEIVERSHIP. A SUPERINTENDENT
42 WHO IS TERMINATED PURSUANT TO THIS PARAGRAPH MAY APPEAL THE TERMINATION TO
43 THE STATE BOARD OF EDUCATION IF THE SUPERINTENDENT FILES AN APPEAL WITH
44 THE STATE BOARD WITHIN THIRTY DAYS AFTER RECEIVING NOTICE OF THE
45 TERMINATION.

1 2. May authorize the receiver to do any of the following:

2 1. (a) Override any decisions of the school district's governing
3 board or the school district superintendent, or both, concerning the
4 management and operation of the school district, and initiate and make
5 decisions concerning the management and operation of the school district.

6 2. (b) Attend any and all meetings of the school district's
7 governing board and administrative staff.

8 3. (c) Supervise the day-to-day activities of the school
9 district's staff, including reassigning the duties and responsibilities of
10 personnel in a manner that, in the determination of the receiver, best
11 suits the needs of the school district.

12 4. (d) Place on extended leave, suspend or terminate for cause the
13 school district's ~~superintendent or~~ chief financial officer, ~~or both~~. The
14 receiver is not authorized to provide a severance or buyout package to the
15 school district's ~~superintendent or~~ chief financial officer if the school
16 district is placed ~~into~~ IN receivership by the state board of education.
17 A ~~person~~ CHIEF FINANCIAL OFFICER WHO IS terminated pursuant to this
18 ~~paragraph~~ SUBDIVISION may appeal the ~~receiver's decision~~ TERMINATION to
19 the state board of education if an appeal is filed with the state board
20 within thirty days ~~of~~ AFTER receiving notice of the termination.

21 5. (e) Authorize pupils to transfer from schools operated by the
22 school district to schools operated by another school district that is not
23 currently in receivership.

24 6. (f) Appoint a chief educational officer who shall possess the
25 powers and duties of a school district superintendent. A chief
26 educational officer who is appointed pursuant to this ~~paragraph~~
27 SUBDIVISION shall hold a valid administrative certificate.

28 7. (g) Appoint a chief fiscal officer who shall possess the powers
29 and duties of the school district's chief school business official and any
30 other duties regarding budgeting, accounting and other financial matters
31 that are assigned to the school district by law.

32 8. (h) Appoint a competent independent public accountant to audit
33 the accounts of the school district.

34 9. (i) Reorganize the school district's financial accounts,
35 management and budgetary systems to improve financial responsibility and
36 reduce financial inefficiency within the district.

37 10. (j) Establish school district fiscal guidelines and a system of
38 internal controls, including internal administrative controls and internal
39 accounting controls, with provisions for internal audits.

40 11. (k) Cancel or renegotiate any contract, other than contracts of
41 certificated teachers who have been employed by the school district in the
42 capacity of a certificated teacher for more than one year immediately
43 before the date the receiver was appointed, to which the governing board
44 or the school district is a party if the cancellation or renegotiation of
45 the contract will produce needed economies in the operation of the
46 district's schools. The receiver may refuse to reemploy any certificated

1 teacher who has not been employed by the school district for more than the
2 major portion of three consecutive school years ~~as provided in section~~
3 ~~15-536~~.

4 G. The receiver's power, authority and duties ~~shall be~~ ARE
5 effective on the date of the receiver's appointment by the state board of
6 education. The receiver shall perform the receiver's duties according to
7 the instructions of the state board of education order and according to
8 law. The receiver shall promptly report any violations of law, including
9 a violation of the uniform system of financial records, to the state board
10 of education.

11 H. On review and approval of the state board of education, the
12 receiver shall take all necessary steps to implement the financial
13 improvement plan and budget ~~utilizing~~ USING those powers identified in the
14 plan as prescribed in subsection F of this section.

15 I. The salary and benefits of the receiver and any officers or
16 employees appointed by the receiver shall be paid by the school district.
17 The state board of education shall determine the salary for the receiver
18 and any officers or employees appointed by the receiver based on amounts
19 recommended by the state board.

20 J. The state board of education shall remove the school district
21 from receivership and dismiss the receiver and dismiss any officer or
22 employee appointed by the receiver thirty days after all of the following
23 have occurred:

24 1. The auditor general certifies that the school district has been
25 financially solvent for one fiscal year.

26 2. The auditor general certifies that the school district's
27 financial records are in compliance with the uniform system of financial
28 records and generally accepted accounting principles.

29 3. The receiver certifies that the school district is no longer
30 engaged in gross mismanagement.

31 4. The state board of education has determined that the school
32 district is able to pay its debts as those debts become due.

33 K. Beginning ninety days after the submission of the first report
34 prescribed in subsection F of this section, the receiver shall submit a
35 quarterly progress report to the state board of education. The state
36 board of education shall review the expenses and costs of the receiver at
37 least once each calendar quarter.

38 L. The state board of education shall formally review the
39 receiver's progress every six months. If, based on the quarterly progress
40 reports, the state board determines that the receiver's progress is
41 insufficient, the state board may remove the current receiver and appoint
42 another receiver for the school district.

43 M. The state board of education may dismiss the receiver for cause
44 or on a majority vote of no confidence in the receiver of the state board.

1 N. The school district shall indemnify the receiver and any officer
2 or employee appointed by the receiver who is made or threatened to be made
3 a party to any litigation by reason of their status under this section if
4 the receiver, officer or employee acted in good faith and in a manner that
5 the receiver, officer or employee reasonably believed to be consistent
6 with the best interest of the school district and if the receiver, officer
7 or employee had no reasonable cause to believe that the conduct was
8 unlawful.

9 O. During the period of time that the school district is in
10 receivership, ~~no~~ A member, officer, employee or agent of the school
11 district may ~~NOT~~ enter into any contract or incur any liability on behalf
12 of the school district for any purpose if the amount of the contract or
13 liability exceeds the receiver's authorized financial plan and budget for
14 the school district. The receiver may discipline, including, if warranted,
15 imposing a suspension from duty without pay, removal from office or
16 termination of, any school district employee or officer who violates this
17 subsection.

18 P. This section does not create a private cause of action against
19 the school district or its officers, directors, board members or
20 employees.

21 Q. The assumption of control of the school district by the receiver
22 shall ~~in no way~~ ~~NOT~~ interfere with the election ~~or reelection~~ of school
23 district governing board members, ~~EXCEPT AS REQUIRED BY SECTION 15-302.01.~~

24 R. This section shall not interfere with a school district's
25 ability to declare bankruptcy under federal law.

26 S. The state board of education shall continue to monitor and offer
27 technical assistance to a school district for two years after its removal
28 from receivership.

29 T. All information received and records or reports kept by the
30 state board of education during an investigation resulting from a
31 complaint against a receiver appointed pursuant to this section or section
32 15-107 are confidential and not a public record.

33 U. The state board of education or the department of education
34 shall immediately notify the auditor general if the board or department
35 has knowledge that a superintendent or chief financial officer who was
36 employed at the school district at the time the school district was placed
37 in receivership is currently employed in another school district or
38 charter school in this state.

39 V. Notwithstanding any other law, a fiscal crisis team appointed
40 pursuant to this section ~~shall be~~ ~~IS~~ subject to section 15-107,
41 subsections E through H and a school district that is assigned a level two
42 fiscal crisis team pursuant to this section ~~shall be~~ ~~IS~~ subject to section
43 15-107, subsections J, K and L.

44 W. For the purposes of this section:
45 1. "Fiscal crisis team" means either:

1 (a) A level one fiscal crisis team with the duties and authority
2 prescribed in section 15-107, subsection D, paragraph 2.

3 (b) A level two fiscal crisis team with the duties and authority
4 prescribed in section 15-107, subsection D, paragraph 3.

5 2. "Gross mismanagement" means that the school district's officers
6 or employees committed or engaged in gross incompetence or systemic and
7 egregious mismanagement of the school district's finances or financial
8 records.

9 3. "Notice" means written notice personally served or delivered by
10 certified mail, return receipt requested.

11 4. "Receiver" means an individual **WHO IS** appointed by the state
12 board of education from the persons recommended by the state board for the
13 purpose of managing a school district placed in receivership by the state
14 board of education.

15 5. "Receivership" means the state or condition of being under the
16 control of the receiver appointed by the state board of education.

17 6. "Superintendent" means the chief executive officer of the school
18 district.

19 Sec. 2. Title 15, chapter 3, article 1, Arizona Revised Statutes,
20 is amended by adding section 15-302.01, to read:

21 15-302.01. School district governing board members; removal;
22 appointment

23 NOTWITHSTANDING ANY OTHER LAW, IF THE STATE BOARD OF EDUCATION
24 PLACES A SCHOOL DISTRICT IN RECEIVERSHIP PURSUANT TO SECTION 15-103, THE
25 COUNTY SCHOOL SUPERINTENDENT OF THE COUNTY IN WHICH THE SCHOOL DISTRICT IS
26 LOCATED SHALL REMOVE EACH MEMBER OF THE SCHOOL DISTRICT GOVERNING BOARD
27 AND SHALL FILL THE VACANCIES PURSUANT TO SECTION 15-302, EXCEPT THAT[:

28 1.] THE COUNTY SCHOOL SUPERINTENDENT MAY NOT ACCEPT NAMES FROM THE
29 SCHOOL DISTRICT GOVERNING BOARD FOR CONSIDERATION.

30 [2. IF THE SCHOOL DISTRICT IS LOCATED IN TWO OR MORE COUNTIES, EACH
31 VACANCY SHALL BE FILLED BY THE COUNTY SCHOOL SUPERINTENDENT OF THE COUNTY
32 IN WHICH THE REMOVED GOVERNING BOARD MEMBER RESIDED AT THE TIME OF
33 REMOVAL.]

34 <<Sec. 3. Section 15-421, Arizona Revised Statutes, is amended to
35 read:

36 15-421. Governing boards; members; qualifications;
37 prohibitions; candidate statements; definitions

38 A. The governing body of a school district shall be a governing
39 board. There shall be three governing board members, except as otherwise
40 provided by this section and section 15-425, subsection A.

41 B. The governing body of a high school district shall be a
42 governing board composed of:

43 1. In a single district, the governing board members of the common
44 school district.

45 2. In a union high school district, five members.

1 C. A person is eligible for election to the office of governing
2 ~~board member if all of the following apply:~~

- 3 1. The person is a registered voter of this state.
- 4 2. The person has been a resident of the school district for at
5 ~~least~~ one year immediately preceding the day of election.
- 6 3. The person is not subject to registration as a sex offender in
7 this state or in any other jurisdiction.

8 4. ~~THE PERSON HAS NOT BEEN REMOVED FROM THE OFFICE OF GOVERNING
9 BOARD MEMBER PURSUANT TO SECTION 15-302.01.~~

10 D. An employee of a school district, including a person who
11 ~~directly provides certified or classified services to the school district~~
12 ~~as an employee of a third-party contractor, or the spouse of such an~~
13 ~~employee may not hold membership on the governing board of a school~~
14 ~~district by which the employee is employed.~~

15 E. Notwithstanding subsection D of this section and title 38,
16 chapter 3, article 8, a small school district may employ, including
17 employment through a third-party contractor that provides services to the
18 small school district, a substitute teacher who is related to a member of
19 the governing board as immediate family and who has had the same household
20 of residence within the preceding four years. If a small school district
21 employs a substitute teacher pursuant to this subsection, the member of
22 the governing board who is related to the substitute teacher shall be
23 recused from voting on any matter relating to substitute teachers.

24 F. A school district may employ, including employment through a
25 third-party contractor that provides services to the school district, a
26 person who served as a member of the school district's governing board
27 during the preceding two years only in a position in which the person will
28 provide services directly to students, including as a certificated
29 teacher, a substitute teacher and an employee or contractor who provides
30 transportation, instructional support or student support services. A
31 school district may increase the time period prescribed in this subsection
32 to be more than two years.

33 G. A member of one governing board is ineligible to be a candidate
34 for nomination or election to or serve simultaneously as a member of any
35 other governing board, except that a member of a governing board may be a
36 candidate for nomination or election for any other governing board if the
37 member is serving in the last year of a term of office. A member of a
38 governing board shall resign the member's seat on the governing board
39 before becoming a candidate for nomination or election to the governing
40 board of any other school district, unless the member of the governing
41 board is serving in the last year of a term of office.

42 H. Notwithstanding section 15-511, each county school
43 superintendent shall publish on the superintendent's website the statement
44 of each certified candidate for membership on a school district governing
45 board located in the county. The county school superintendent shall list
46 each school district on the superintendent's website from which a link

1 shall be established to the candidate's name, which shall link to the
2 candidate's statement and photograph. The candidate shall submit the
3 statement to the person at the county school superintendent's office
4 assigned to manage candidate statements, after notice of certification
5 from the county school superintendent's office but not later than
6 twenty-one days before the date that general election early ballots are
7 allowed to be mailed. The person shall post each candidate's statement on
8 the county school superintendent's website not later than fourteen days
9 before the date that general election early ballots are allowed to be
10 mailed. If a candidate does not submit a statement, the county school
11 superintendent's website shall state "no response submitted" for the
12 candidate. The candidate statements shall be posted on the website
13 alphabetically by each school district and by candidate. The candidate
14 statement shall be typewritten or electronically submitted. The county
15 school superintendent shall post the statements verbatim as they are
16 received unless a candidate requests in writing that typographical errors
17 be corrected. The candidate statement shall contain the following items
18 in the same size and format for each candidate:

19 1. A recent photograph of the candidate.
20 2. A statement not to exceed five hundred words.
21 3. A disclosure of any relationships by affinity, by consanguinity
22 or by law to the third degree that exist between the candidate and any
23 current governing board members or other candidates for election to the
24 same governing board.

25 I. Persons related as immediate family who have the same household
26 of residence within four years prior shall not serve simultaneously on the
27 governing board of the same school district if the governing board is
28 composed of five members. For a school district with a student count of
29 at least two hundred fifty that is located in a county with a population
30 of more than five hundred thousand persons, not more than two persons
31 related by affinity, by consanguinity or by law to the third degree shall
32 serve simultaneously on the governing board of the same school district if
33 the governing board is composed of five members. A qualified elector who
34 resides in the school district may bring an action in superior court to
35 enforce this subsection.

36 J. A person related as immediate family who has the same household
37 of residence within four years prior to a member of the governing board of
38 the same school district is ineligible to be a candidate for nomination or
39 election to that governing board if the governing board is composed of
40 five members, except that a person related as immediate family who has the
41 same household of residence within four years prior to a member of a
42 governing board may be a candidate for nomination or election to the
43 governing board of the same school district if the member is serving in
44 the last year of a term of office. For a school district with a student
45 count of at least two hundred fifty that is located in a county with a
46 population of more than five hundred thousand persons, not more than two

1 persons related by affinity, by consanguinity or by law to the third
2 degree shall be eligible to be a candidate for nomination or election to a
3 governing board that is composed of five members. A qualified elector who
4 resides in the school district may bring an action in superior court to
5 enforce this subsection.

6 K. Persons related as immediate family who have the same household
7 of residence within four years prior are ineligible to be simultaneous
8 candidates for nomination or election to the governing board of the same
9 school district if the governing board is composed of five members. For a
10 school district with a student count of at least two hundred fifty that is
11 located in a county with a population of more than five hundred thousand
12 persons, not more than two persons related by affinity, by consanguinity
13 or by law to the third degree shall be simultaneous candidates for
14 nomination or election to a governing board that is composed of five
15 members. A qualified elector who resides in the school district may bring
16 an action in superior court to enforce this subsection.

17 L. For the purposes of this section:

18 1. "Household of residence" means the place of abode during
19 applicable time periods or the residence address used by an individual for
20 voter registration or property tax purposes.

21 2. "Immediate family" means individuals who are married to each
22 other and any children of those individuals.

23 3. "Small school district" has the same meaning prescribed in
24 section 15-901. >>

25 <<Sec. 3. Section 38-201, Arizona Revised Statutes, is amended to
26 read:

27 38-201. General qualifications

28 A. Every officer shall be [not less than] [AT LEAST] eighteen years
29 of age, a citizen of the United States and a resident of this state.

30 B. [No] [A] person is [NOT] eligible to any office, employment or
31 service in any public institution in [the] [THIS] state[,-] or in any of
32 the several counties [thereof,] [OF THIS STATE] of any kind or character,
33 whether by election, appointment or contract, unless [he] [THE PERSON] is
34 a citizen of the United States, but [the provisions of] this subsection
35 [shall] [DOES] not apply to the employment of any teacher, instructor or
36 professor authorized to teach in the United States under the teacher
37 exchange program as provided by federal statutes or the employment of
38 university or college faculty members.

39 C. A person who is unable to speak, write and read the English
40 language is not eligible to hold a state, county, city, town or precinct
41 office in the state, whether elective or appointive, and [no] [A]
42 certificate of election or commission shall [NOT] issue to a person so
43 disqualified.

44 D. Except as provided in subsection E [OF THIS SECTION], a person
45 is not eligible for employment by or service for [the] [THIS] state or a
46 political subdivision of [the] [THIS] state, including all boards and

1 commissions of [the] [THIS] state or political subdivision [OF THIS
2 STATE], all multimember governing bodies of departments, agencies,
3 institutions and instrumentalities of [the] [THIS] state or political
4 subdivisions [OF THIS STATE] unless the person has registered with the
5 selective service system if required by the federal military selective
6 service act (62 Stat. 604; 50 United States Code App. section 453).

7 E. A person may not be denied a right, privilege or benefit by
8 reason of subsection D [OF THIS SECTION] if either of the following
9 applies:

10 1. The requirement for the person to so register has terminated or
11 become inapplicable to the person.

12 2. The person shows by a preponderance of the evidence that the
13 failure of the person to register with the selective service system was
14 not a knowing and [willful] [WILFULL] failure to register.

15 [F. A PERSON IS NOT ELIGIBLE TO HOLD A STATE, COUNTY, CITY, TOWN OR
16 PRECINCT OFFICE IN THIS STATE, WHETHER ELECTIVE OR APPOINTIVE, AND A
17 CERTIFICATE OF ELECTION OR COMMISSION MAY NOT BE ISSUED TO A PERSON WHO IS
18 DISQUALIFIED PURSUANT TO THIS SUBSECTION IF THE PERSON EITHER:

19 1. IS REMOVED FROM THE OFFICE OF SCHOOL DISTRICT GOVERNING BOARD
20 MEMBER PURSUANT TO SECTION 15-302.01.

21 2. RESIGNED FROM THE OFFICE OF SCHOOL DISTRICT GOVERNING BOARD
22 MEMBER UP TO ONE MONTH BEFORE THE SCHOOL DISTRICT WAS PLACED IN
23 RECEIVERSHIP PURSUANT TO SECTION 15-103.]>

24 <<Sec. 4. County treasurer: warrants issued by a school
25 district in receivership; intent; delayed repeal
26 [A. Notwithstanding any other law, the county treasurer shall
27 register warrants in the total amount of \$2,500.000 that are issued by a
28 school district in receivership pursuant to section 15-103. Arizona
29 Revised Statutes, as amended by this act, and approved by the receiver
30 regardless of whether there are sufficient monies in the school district's
31 account.

32 B. The legislature intends that warrants registered pursuant to
33 subsection A of this section be funded by basic state aid payments to the
34 school district.

35 C. This section is repealed from and after December 31, 2026.]>

36 <<Sec. 5. Department of education: budget capacity
37 calculation; school districts in receivership;
38 delayed repeal

39 [A. Notwithstanding any other law, the department of education may
40 not consider the cash balance or budget carryforward of a school district
41 that is placed in receivership in the third quarter of the 2024-2025
42 fiscal year when calculating the school district's budget capacity until
43 March 2025.

44 B. This section is repealed from and after December 31, 2026.]>

1 <<Sec. 6. Emergency
2 [This act is an emergency measure that is necessary to preserve the
3 public peace, health or safety and is operative immediately as provided by
4 law.]>>

5 Enroll and engross to conform
6 Amend title to conform

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