

House Engrossed Senate Bill

school districts; overexpenditures; ADE; notice

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

CHAPTER 116
SENATE BILL 1689

AN ACT

AMENDING SECTIONS 15-107, 15-302 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,**
WITHOUT PRIOR NOTIFICATION FROM A COUNTY SCHOOL SUPERINTENDENT, DETERMINES
PURSUANT TO SECTION 15-905, SUBSECTION L THAT A SCHOOL DISTRICT'S
EXPENDITURES EXCEED THE SCHOOL DISTRICT'S GENERAL BUDGET LIMIT OR
UNRESTRICTED CAPITAL BUDGET LIMIT, OR BOTH, THE DEPARTMENT SHALL NOTIFY
THE COUNTY SCHOOL SUPERINTENDENT OF THE COUNTY IN WHICH THE SCHOOL
DISTRICT IS LOCATED AND TAKE ANY ACTIONS REQUIRED BY THIS
SECTION. Notwithstanding any other law, a warrant shall not be drawn by a
20 county school superintendent for an expenditure that is in excess of the
21 amount budgeted and that has not been previously expended, unless the
22 county school superintendent is notified in writing by the department of
23 education that budget capacity exists as determined by the department
24 based on information provided by the school district.

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

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

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

1 interested parties, the state board of education shall take one of the
2 following actions:

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

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

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

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

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

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

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

37 1. The results of the review of the school district's finances,
38 including expenditures.

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

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

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

1 5. Any recommendations of potential action to be taken concerning
2 professional certificates issued to school district personnel by the state
3 board of education or the department of education. The state board of
4 education shall review the recommendations submitted pursuant to this
5 paragraph and shall take appropriate action.

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

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

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

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

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

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

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

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

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

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

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

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

44 J. A school district that is assigned a level two fiscal crisis
45 team or a receiver pursuant to this section shall require professional

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

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

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

34 M. All information received and records or reports kept by the
35 state board of education during an investigation resulting from a
36 complaint against a receiver appointed pursuant to this section or section
37 15-103 are confidential and not a public record.

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

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

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

1 Sec. 2. Section 15-302, Arizona Revised Statutes, is amended to
2 read:

3 **15-302. Powers and duties**

4 A. The county school superintendent shall:

5 1. Distribute all laws, reports, circulars, instructions and forms
6 that the county school superintendent may receive for the use of school
7 officers.

8 2. Record all official acts.

9 3. Appoint governing board members of school districts to fill all
10 vacancies, but the term of the appointment shall be until the next regular
11 election for governing board members, at which time a successor shall be
12 elected to serve the unexpired portion of the term. A person who is
13 subject to registration as a sex offender in this state or in any other
14 jurisdiction is ineligible for appointment under this paragraph. Within
15 thirty days after notification of a vacancy, the school district governing
16 board may submit up to three names to the county school superintendent for
17 consideration of an appointment to fill the vacancy. The county school
18 superintendent is not required to appoint a governing board member from
19 the list of names submitted by the governing board. The county school
20 superintendent, if the county school superintendent deems it in the best
21 interest of the community, may call a special election to fill the
22 vacancies. If an election is called, the newly elected member shall serve
23 for the remainder of the unexpired portion of the term.

24 4. Make reports, when directed by the superintendent of public
25 instruction, showing matters relating to schools in the county as may be
26 required on the forms furnished by the superintendent of public
27 instruction.

28 5. Have such powers and perform such duties as otherwise prescribed
29 by law.

30 6. On or before October 1 of each year, report to the
31 superintendent of public instruction the amount of monies received from
32 state school funds, special school district taxes and other sources, the
33 total expenditures for school purposes and the balance on hand to the
34 credit of each school district at the close of the school year.

35 7. Contract with the board of supervisors for the board of
36 supervisors to conduct all regular school district elections.

37 8. Be responsible, in cooperation with the school district
38 governing boards and the board of supervisors, for all special school
39 district elections.

40 9. Maintain teacher and administrator certification records of
41 effective dates and expiration dates of teachers' and administrators'
42 certificates in compliance with guidelines prescribed in the uniform
43 system of financial records for those school districts for which the
44 county school superintendent is the fiscal agent. The county school
45 superintendent shall not draw a warrant in payment of a teacher's,

1 substitute teacher's or administrator's salary unless the teacher,
2 substitute teacher or administrator is legally certified during the fiscal
3 year in which the term for payment is demanded.

4 10. Notify a school district three years before the expiration of a
5 revenue control limit override that the school district's budget must be
6 adjusted in the final two years of the override pursuant to section
7 15-481, subsections P and Q, if the voters do not approve another
8 override.

9 11. In collaboration with the department of education and other
10 state agencies, assist school districts, charter schools, county free
11 library districts, municipal libraries, nonprofit and public libraries,
12 tribal libraries, private schools and tribal schools on using student
13 data, staff development, curriculum alignment and technology to improve
14 student performance.

15 12. Assist schools in meeting yearly adequate progress goals as
16 defined by criteria established by the state board of education and
17 implemented by the department of education.

18 B. At the request of school districts and charter schools, the
19 county school superintendent may provide discretionary programs in
20 addition to the programs prescribed in subsection A of this section.

21 C. The county school superintendent may:

22 1. Provide the services prescribed in subsections A and B of this
23 section in the county or jointly with two or more counties pursuant to
24 title 11, chapter 7, article 3.

25 2. **REVIEW THE OPERATIONS AND FINANCES, INCLUDING EXPENDITURES, OF
26 ANY SCHOOL DISTRICT THAT IS LOCATED IN THE COUNTY.**

27 D. Each county school superintendent may establish an advisory
28 committee to the office of the county school superintendent.

29 Sec. 3. Section 15-304, Arizona Revised Statutes, is amended to
30 read:

31 15-304. Warrants: limitations: definition

32 A. The county school superintendent, on the voucher of the
33 governing board of a school district, shall draw the county school
34 superintendent's warrant on the county treasurer for all necessary
35 expenses against the school fund of the district. The warrants shall be
36 drawn in the order in which the vouchers are filed in the county school
37 superintendent's office. In lieu of drawing warrants, the county school
38 superintendent may issue an electronic transfer pursuant to section 11-493
39 for expenditures authorized by this section. Unless ~~notified by~~ the
40 department of education **NOTIFIES THE COUNTY SCHOOL SUPERINTENDENT IN
41 WRITING** pursuant to section 15-107 **THAT BUDGET CAPACITY EXISTS**, a warrant
42 shall not be drawn for an expenditure from the maintenance and operation,
43 capital outlay, adjacent ways and federal and state grant funds for a
44 purpose not included in the budget of the school district or for an
45 expenditure in excess of the amount budgeted and not previously expended,

1 except for expenditures authorized by the board of supervisors as provided
2 in section 15-907. The county school superintendent shall not draw a
3 warrant for an expenditure from any school district fund except the
4 maintenance and operation, capital outlay or adjacent ways fund or federal
5 and state grant funds unless sufficient cash is available in the fund
6 according to the records of the county school superintendent. The county
7 school superintendent may only draw a warrant for an expenditure from a
8 federal or state grant fund when sufficient cash is not available in the
9 grant fund if the county treasurer maintains the two accounts as provided
10 in section 15-996, paragraph 1 and if the county school superintendent
11 determines that the expenditures are included in the budget section of the
12 approved grant application. Warrants may be processed through an
13 electronic payment system.

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

18 C. The state board of education shall require a county school
19 superintendent who fails to comply with the notification requirements of
20 subsection B of this section to complete professional development
21 training. The state board of education may also require the employees of
22 a county school superintendent who are involved in school district
23 finances and budgeting to complete professional development training. The
24 professional development training shall be selected from a list approved
25 by the state board of education, and the cost of the professional
26 development training shall be paid by the county school superintendent.
27 County school superintendents and employees of the county school
28 superintendent who are involved in district finances and budgeting shall
29 complete at least twelve hours of professional development training within
30 one hundred twenty days after the decision of the state board of education
31 to require professional development training of the county school
32 superintendent and the employees of the county school superintendent who
33 are involved in district finances and budgeting.

34 D. A county school superintendent who fails to complete the
35 professional development training within the time prescribed in subsection
36 C of this section is guilty of nonfeasance in office, and the state board
37 of education shall forward a complaint to the attorney general. The
38 attorney general may bring an action in superior court against a county
39 school superintendent for failure to comply with the professional
40 development training requirements prescribed in subsection C of this
41 section. If a court determines that a county school superintendent failed
42 to comply with the professional development training requirements
43 prescribed in subsection C of this section, the court shall issue an order
44 removing the county school superintendent from office.

1 E. A county school superintendent who fails to comply with the
2 notification requirements of subsection B of this section more than once
3 is guilty of unprofessional conduct. The attorney general may commence an
4 action in superior court to enforce this subsection against any county
5 school superintendent who violates the notification requirements of
6 subsection B of this section more than once. If the court determines that
7 a county school superintendent is guilty of unprofessional conduct, the
8 court shall issue an order directing the removal of the county school
9 superintendent from office.

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

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

APPROVED BY THE GOVERNOR MAY 2, 2025.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 2, 2025.