

REFERENCE TITLE: school funding; inflation adjustment

State of Arizona
House of Representatives
Fifty-seventh Legislature
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2026

HB 2576

Introduced by

Representatives Gutierrez: Abeytia, Austin, Blattman, Cavero, Connolly,
Contreras P, Crews, De Los Santos, Garcia, Liguori, Mathis, Simacek, Stahl
Hamilton, Travers, Villegas

AN ACT

AMENDING SECTIONS 15-185 AND 15-961, ARIZONA REVISED STATUTES; RELATING TO
SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-185, Arizona Revised Statutes, is amended to
3 read:

4 15-185. Charter schools; financing; civil penalties;
5 transportation; definition

6 A. A school district is not financially responsible for any charter
7 school that is sponsored by the state board of education, the state board
8 for charter schools, a university under the jurisdiction of the Arizona
9 board of regents, a community college district or a group of community
10 college districts.

11 B. Financial provisions for a charter school that is sponsored by
12 the state board of education, the state board for charter schools, a
13 university, a community college district or a group of community college
14 districts are as follows:

15 1. The charter school shall calculate a base support level as
16 prescribed in section 15-943, except that:

17 (a) Section 15-941 does not apply to these charter schools.

18 (b) The small school weights prescribed in section 15-943,
19 paragraph 1 apply if a charter holder holds one charter for one or more
20 school sites and the average daily membership for the school sites are
21 combined for the calculation of the small school weight. The small school
22 weight shall not be applied individually to a charter holder if one or
23 more of the following conditions exist and the combined average daily
24 membership derived from the following conditions is greater than six
25 hundred:

26 (i) The organizational structure or management agreement of the
27 charter holder requires the charter holder or charter school to contract
28 with a specific management company.

29 (ii) The governing body of the charter holder has identical
30 membership to another charter holder in this state.

31 (iii) The charter holder is a subsidiary of a corporation that has
32 other subsidiaries that are charter holders in this state.

33 (iv) The charter holder holds more than one charter in this state.

34 (c) Notwithstanding subdivision (b) of this paragraph, for fiscal
35 years 2015-2016 and 2016-2017, the department of education shall reduce by
36 thirty-three percent the amount provided by the small school weight for
37 charter schools prescribed in subdivision (b) of this paragraph.

38 2. Notwithstanding paragraph 1 of this subsection, the student
39 count shall be determined initially using an estimated student count based
40 on actual registration of pupils before the beginning of the school year.
41 Notwithstanding section 15-1042, subsection F, student level data
42 submitted to the department may be used to determine estimated student
43 counts. After the first forty days, one hundred days or two hundred days
44 in session, as applicable, the charter school shall revise the student
45 count to be equal to the actual average daily membership, as defined in

1 section 15-901, of the charter school. Before the fortieth day, one
 2 hundredth day or two hundredth day in session, as applicable, the state
 3 board of education, the state board for charter schools, the sponsoring
 4 university, the sponsoring community college district or the sponsoring
 5 group of community college districts may require a charter school to
 6 report periodically regarding pupil enrollment and attendance, and the
 7 department of education may revise its computation of equalization
 8 assistance based on the report. A charter school shall revise its student
 9 count, base support level and charter additional assistance before May 15.
 10 A charter school that overestimated its student count shall revise its
 11 budget before May 15. A charter school that underestimated its student
 12 count may revise its budget before May 15.

13 3. A charter school may use section 15-855 for the purposes of this
 14 section. The charter school and the department of education shall
 15 prescribe procedures for determining average daily membership.

16 4. Equalization assistance for the charter school shall be
 17 determined by adding the amount of the base support level and charter
 18 additional assistance. The amount of the charter additional assistance is
 19 \$2,131.90 per student count in preschool programs for children with
 20 disabilities, kindergarten programs and grades one through eight and
 21 \$2,484.69 per student count in grades nine through twelve. BEGINNING IN
 22 FISCAL YEAR 2026-2027, THE LEGISLATURE SHALL INCREASE THE AMOUNT OF
 23 CHARTER ADDITIONAL ASSISTANCE BY AT LEAST TWO PERCENT. FOR FISCAL YEAR
 24 2027-2028 AND EACH FISCAL YEAR THEREAFTER, THE LEGISLATURE SHALL INCREASE
 25 THE AMOUNT OF CHARTER ADDITIONAL ASSISTANCE BY A MINIMUM GROWTH RATE OF
 26 EITHER TWO PERCENT OR THE CHANGE IN THE GDP PRICE DEFLATOR, AS DEFINED IN
 27 SECTION 41-563, FROM THE SECOND PRECEDING CALENDAR YEAR TO THE CALENDAR
 28 YEAR IMMEDIATELY PRECEDING THE BUDGET YEAR, WHICHEVER IS LESS, EXCEPT THAT
 29 THE AMOUNT OF CHARTER ADDITIONAL ASSISTANCE MAY NOT BE REDUCED BELOW THE
 30 BASE LEVEL ESTABLISHED FOR FISCAL YEAR 2026-2027.

31 5. The state board of education shall apportion state aid from the
 32 appropriations made for such purposes to the state treasurer for
 33 disbursement to the charter schools in each county in an amount as
 34 determined by this paragraph. The apportionments shall be made as
 35 prescribed in section 15-973, subsection B.

36 6. The charter school shall not charge tuition for pupils who
 37 reside in this state, levy taxes or issue bonds. A charter school may
 38 admit pupils who are not residents of this state and shall charge tuition
 39 for those pupils in the same manner prescribed in section 15-823.

40 7. Not later than noon on the day preceding each apportionment date
 41 established pursuant to paragraph 5 of this subsection, the superintendent
 42 of public instruction shall furnish to the state treasurer an abstract of
 43 the apportionment and shall certify the apportionment to the department of
 44 administration, which shall draw its warrant in favor of the charter
 45 schools for the amount apportioned.

1 C. If a pupil is enrolled in both a charter school and a public
2 school that is not a charter school, the sum of the daily membership,
3 which includes enrollment as prescribed in section 15-901, subsection A,
4 paragraph 1, subdivisions (a) and (b) and daily attendance as prescribed
5 in section 15-901, subsection A, paragraph 5, for that pupil in the school
6 district and the charter school shall not exceed 1.0. If a pupil is
7 enrolled in both a charter school and a public school that is not a
8 charter school, the department of education shall direct the average daily
9 membership to the school with the most recent enrollment date. On
10 validation of actual enrollment in both a charter school and a public
11 school that is not a charter school and if the sum of the daily membership
12 or daily attendance for that pupil is greater than 1.0, the sum shall be
13 reduced to 1.0 and shall be apportioned between the public school and the
14 charter school based on the percentage of total time that the pupil is
15 enrolled or in attendance in the public school and the charter school.
16 The uniform system of financial records shall include guidelines to
17 apportion the pupil enrollment and attendance as provided in this section.

18 D. Charter schools are allowed to accept grants and gifts to
19 supplement their state funding, but it is not the intent of the charter
20 school law to require taxpayers to pay twice to educate the same pupils.
21 The base support level for a charter school or for a school district
22 sponsoring a charter school shall be reduced by an amount equal to the
23 total amount of monies received by a charter school from a federal or
24 state agency if the federal or state monies are intended for the basic
25 maintenance and operations of the school. The superintendent of public
26 instruction shall estimate the amount of the reduction for the budget year
27 and shall revise the reduction to reflect the actual amount before May 15
28 of the current year. If the reduction results in a negative amount, the
29 negative amount shall be used in computing all budget limits and
30 equalization assistance, except that:

31 1. Equalization assistance shall not be less than zero.

32 2. For a charter school sponsored by the state board of education,
33 the state board for charter schools, a university, a community college
34 district or a group of community college districts, the total of the base
35 support level and the charter additional assistance shall not be less than
36 zero.

37 E. If a charter school was a district public school in the prior
38 year and sponsored by the state board of education, the state board for
39 charter schools, a university, a community college district or a group of
40 community college districts, the reduction in subsection D of this section
41 applies. The reduction to the base support level of the charter school
42 shall equal the sum of the base support level and the charter additional
43 assistance received in the current year for those pupils who were enrolled
44 in the traditional public school in the prior year and are now enrolled in
45 the charter school in the current year.

1 F. Equalization assistance for charter schools shall be provided as
 2 a single amount based on average daily membership without categorical
 3 distinctions between maintenance and operations or capital.

4 G. At the request of a charter school, the county school
 5 superintendent of the county where the charter school is located may
 6 provide the same educational services to the charter school as prescribed
 7 in section 15-308, subsection A. The county school superintendent may
 8 charge a fee to recover costs for providing educational services to
 9 charter schools.

10 H. If the sponsor of the charter school determines at a public
 11 meeting that the charter school is not in compliance with federal law,
 12 with the laws of this state or with its charter, the sponsor of a charter
 13 school may submit a request to the department of education to withhold up
 14 to ten percent of the monthly apportionment of state aid that would
 15 otherwise be due the charter school. The department shall adjust the
 16 charter school's apportionment accordingly. The sponsor shall provide
 17 written notice to the charter school at least seventy-two hours before the
 18 meeting and shall allow the charter school to respond to the allegations
 19 of noncompliance at the meeting before the sponsor makes a final
 20 determination to notify the department of education of noncompliance. The
 21 charter school shall submit a corrective action plan to the sponsor on a
 22 date specified by the sponsor at the meeting. The corrective action plan
 23 shall be designed to correct deficiencies at the charter school and to
 24 ensure that the charter school promptly returns to compliance. When the
 25 sponsor determines that the charter school is in compliance, the
 26 department shall restore the full amount of state aid payments to the
 27 charter school.

28 I. In addition to the withholding of state aid payments pursuant to
 29 subsection H of this section, the sponsor of a charter school may impose a
 30 civil penalty of \$1,000 per occurrence if a charter school fails to comply
 31 with the fingerprinting requirements prescribed in section 15-183,
 32 subsection C or section 15-512. The sponsor of a charter school shall not
 33 impose a civil penalty if it is the first time the charter school is out
 34 of compliance with the fingerprinting requirements and if the charter
 35 school provides proof within forty-eight hours after written notification
 36 that an application for the appropriate fingerprint check has been
 37 received by the department of public safety. The sponsor of the charter
 38 school shall obtain proof that the charter school has been notified, and
 39 the notification shall identify the date of the deadline and shall be
 40 signed by both parties. The sponsor of a charter school shall
 41 automatically impose a civil penalty of \$1,000 per occurrence if the
 42 sponsor determines that the charter school subsequently violates the
 43 fingerprinting requirements. Civil penalties pursuant to this subsection
 44 shall be assessed by requesting the department of education to reduce the
 45 amount of state aid that the charter school would otherwise receive by an

1 amount equal to the civil penalty. The amount of state aid withheld shall
2 revert to the state general fund at the end of the fiscal year.

3 J. A charter school may receive and spend monies distributed by the
4 department of education pursuant to section 42-5029, subsection E, section
5 42-5029.02, subsection A and section 37-521, subsection B.

6 K. If a school district transports or contracts to transport pupils
7 to the Arizona state schools for the deaf and the blind during any fiscal
8 year, the school district may transport or contract with a charter school
9 to transport sensory impaired pupils during that same fiscal year to a
10 charter school if requested by the parent of the pupil and if the distance
11 from the pupil's place of actual residence within the school district to
12 the charter school is less than the distance from the pupil's place of
13 actual residence within the school district to the campus of the Arizona
14 state schools for the deaf and the blind.

15 L. Notwithstanding any other law, a university under the
16 jurisdiction of the Arizona board of regents, a community college district
17 or a group of community college districts shall not include any student in
18 the student count of the university, community college district or group
19 of community college districts for state funding purposes if that student
20 is enrolled in and attending a charter school sponsored by the university,
21 community college district or group of community college districts.

22 M. The governing body of a charter school shall transmit a copy of
23 its proposed budget or the summary of the proposed budget and a notice of
24 the public hearing to the department of education for posting on the
25 department of education's website not later than ten days before the
26 hearing and meeting. If the charter school maintains a website, the
27 charter school governing body shall post on its website a copy of its
28 proposed budget or the summary of the proposed budget and a notice of the
29 public hearing.

30 N. The governing body of a charter school shall collaborate with
31 the private organization that is approved by the state board of education
32 pursuant to section 15-792.02 to provide approved board examination
33 systems for the charter school.

34 O. If allowed by federal law, a charter school may opt out of
35 federal grant opportunities if the charter holder or the appropriate
36 governing body of the charter school determines that the federal
37 requirements impose unduly burdensome reporting requirements.

38 P. For the purposes of this section, "monies intended for the basic
39 maintenance and operations of the school" means monies intended to provide
40 support for the educational program of the school, except that it does not
41 include supplemental assistance for a specific purpose or title VIII of
42 the elementary and secondary education act of 1965 monies. The auditor
43 general shall determine which federal or state monies meet this
44 definition.

1 Sec. 2. Section 15-961, Arizona Revised Statutes, is amended to
2 read:

3 15-961. District additional assistance; growth rate

4 A. District additional assistance per student count is established
5 as follows:

6 1. For school districts with a student count of less than one
7 hundred for kindergarten programs and grades one through eight,
8 \$663.81. For school districts with a student count of one hundred or more
9 and less than six hundred for kindergarten programs and grades one through
10 eight, multiply \$474.47 by the weight that corresponds to the student
11 count for kindergarten programs and grades one through eight for the
12 school district as provided in section 15-943, paragraph 1, subdivision
13 (a), column 3. For a school district with a student count of six hundred
14 or more in kindergarten programs and grades one through eight, the limit
15 is \$549.45.

16 2. For school districts with a student count of less than one
17 hundred for grades nine through twelve, \$732.87. For school districts
18 with a student count of one hundred or more and less than six hundred for
19 grades nine through twelve, multiply \$494.39 by the weight that
20 corresponds to the student count for grades nine through twelve for the
21 school district as provided in section 15-943, paragraph 1, subdivision
22 (b), column 3. For a school district with a student count of six hundred
23 or more in grades nine through twelve, the limit is \$600.86.

24 3. For programs for preschool children with disabilities, \$549.45.

25 B. District additional assistance for a school district shall be
26 computed as follows:

27 1. Select the applicable district additional assistance per student
28 count for the school district.

29 2. Multiply the amount or amounts selected in paragraph 1 of this
30 subsection by the appropriate student count of the school district.

31 3. If a school district's student count used for the budget year is
32 greater than one hundred five percent of the student count used for the
33 current year's budget, increase the adjusted district additional
34 assistance determined in paragraph 2 of this subsection by fifty percent
35 of the actual percentage increase in the school district's student count.

36 C. An amount for the purchase of required textbooks and related
37 printed subject matter materials shall be used to increase the district
38 additional assistance for a school district as determined in subsection B,
39 paragraph 2 or 3 of this section, whichever is applicable. This amount
40 shall equal the student count in grades nine through twelve multiplied by
41 \$84.93.

42 D. Notwithstanding subsections A, B and C of this section, district
43 additional assistance for a common school district that is not within a
44 high school district or for a transporting school district is district
45 additional assistance as prescribed in this section but excluding pupils

1 who are admitted to another school district as provided in section 15-824,
2 subsection A, paragraph 2 or 3, except that if the school district
3 transports high school pupils, the district additional assistance amount
4 prescribed in this section shall be increased by an amount equal to fifty
5 percent of the district additional assistance per pupil amount prescribed
6 for the school district pursuant to this section multiplied by the number
7 of high school pupils transported.

8 E. BEGINNING IN FISCAL YEAR 2026-2027, THE LEGISLATURE SHALL
9 INCREASE THE AMOUNT OF DISTRICT ADDITIONAL ASSISTANCE BY AT LEAST TWO
10 PERCENT. FOR FISCAL YEAR 2027-2028 AND EACH FISCAL YEAR THEREAFTER, THE
11 LEGISLATURE SHALL INCREASE THE AMOUNT OF DISTRICT ADDITIONAL ASSISTANCE BY
12 A MINIMUM GROWTH RATE OF EITHER TWO PERCENT OR THE CHANGE IN THE GDP PRICE
13 DEFLATOR, AS DEFINED IN SECTION 41-563, FROM THE SECOND PRECEDING CALENDAR
14 YEAR TO THE CALENDAR YEAR IMMEDIATELY PRECEDING THE BUDGET YEAR, WHICHEVER
15 IS LESS, EXCEPT THAT THE AMOUNT OF DISTRICT ADDITIONAL ASSISTANCE MAY NOT
16 BE REDUCED BELOW THE BASE LEVEL ESTABLISHED FOR FISCAL YEAR 2026-2027.