

COMMITTEE ON EDUCATION

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2516

(Reference to printed bill)

1 Page 1, line 12, after the period strike remainder of line; strike line 13

2 Page 3, line 1, after the period strike remainder of line; strike line 2

3 Page 4, between lines 15 and 16, insert:

4 Sec. 3. Section 15-183, Arizona Revised Statutes, is amended to read:

5 15-183. Charter schools; application; requirements; immunity;  
6 exemptions; renewal of application; reprisal

7 A. An applicant seeking to establish a charter school shall submit a  
8 written application to a proposed sponsor as prescribed in subsection C of  
9 this section. The application shall include a detailed business plan for the  
10 charter school and may include a mission statement for the charter school, a  
11 description of the charter school's organizational structure and the  
12 governing body, a financial plan for the first three years of operation of  
13 the charter school, a description of the charter school's hiring policy, the  
14 name of the charter school's applicant or applicants and requested sponsor, a  
15 description of the charter school's facility and the location of the school,  
16 a description of the grades being served and an outline of criteria designed  
17 to measure the effectiveness of the school.

18 B. The sponsor of a charter school may contract with a public body,  
19 private person or private organization for the purpose of establishing a  
20 charter school pursuant to this article.

21 C. The sponsor of a charter school may be either a school district  
22 governing board, the state board of education or the state board for charter  
23 schools, subject to the following requirements:

24 1. For charter schools that submit an application for sponsorship to a  
25 school district governing board:

26 (a) An applicant for a charter school may submit its application to a  
27 school district governing board, which shall either accept or reject  
28 sponsorship of the charter school within ninety days. An applicant may

1 submit a revised application for reconsideration by the governing board. If  
2 the governing board rejects the application, the governing board shall notify  
3 the applicant in writing of the reasons for the rejection. The applicant may  
4 request, and the governing board may provide, technical assistance to improve  
5 the application.

6 (b) In the first year that a school district is determined to be out  
7 of compliance with the uniform system of financial records, within fifteen  
8 days of the determination of noncompliance, the school district shall notify  
9 by certified mail each charter school sponsored by the school district that  
10 the school district is out of compliance with the uniform system of financial  
11 records. The notification shall include a statement that if the school  
12 district is determined to be out of compliance for a second consecutive year,  
13 the charter school will be required to transfer sponsorship to another entity  
14 pursuant to subdivision (c) of this paragraph.

15 (c) In the second consecutive year that a school district is  
16 determined to be out of compliance with the uniform system of financial  
17 records, within fifteen days of the determination of noncompliance, the  
18 school district shall notify by certified mail each charter school sponsored  
19 by the school district that the school district is out of compliance with the  
20 uniform system of financial records. A charter school that receives a  
21 notification of school district noncompliance pursuant to this subdivision  
22 shall file a written sponsorship transfer application within forty-five days  
23 with the state board of education, the state board for charter schools or the  
24 school district governing board if the charter school is located within the  
25 geographic boundaries of that school district. A charter school that  
26 receives a notification of school district noncompliance may request an  
27 extension of time to file a sponsorship transfer application and the state  
28 board of education, the state board for charter schools or a school district  
29 governing board may grant an extension of not more than an additional thirty  
30 days if good cause exists for the extension. The state board of education  
31 and the state board for charter schools shall approve a sponsorship transfer  
32 application pursuant to this paragraph.

1           (d) Beginning July 1, 2000, a school district governing board shall  
2 not grant a charter to a charter school that is located outside the  
3 geographic boundaries of that school district.

4           (e) A school district that has been determined to be out of compliance  
5 with the uniform system of financial records during either of the previous  
6 two fiscal years shall not sponsor a new or transferring charter school.

7           2. The applicant may submit the application to the state board of  
8 education or the state board for charter schools. The state board of  
9 education or the state board for charter schools may approve the application  
10 if the application meets the requirements of this article and may approve the  
11 charter if the proposed sponsor determines, within its sole discretion, that  
12 the applicant is sufficiently qualified to operate a charter school. The  
13 state board of education or the state board for charter schools may approve  
14 any charter schools transferring charters. The state board of education and  
15 the state board for charter schools shall approve any charter schools  
16 transferring charters from a school district that is determined to be out of  
17 compliance with the uniform system of financial records pursuant to this  
18 section, but may require the charter school to sign a new charter that is  
19 equivalent to the charter awarded by the former sponsor. If the state board  
20 of education or the state board for charter schools rejects the preliminary  
21 application, the state board of education or the state board for charter  
22 schools shall notify the applicant in writing of the reasons for the  
23 rejection and of suggestions for improving the application. An applicant may  
24 submit a revised application for reconsideration by the state board of  
25 education or the state board for charter schools. The applicant may request,  
26 and the state board of education or the state board for charter schools may  
27 provide, technical assistance to improve the application.

28           3. Each applicant seeking to establish a charter school shall submit a  
29 full set of fingerprints to the approving agency for the purpose of obtaining  
30 a state and federal criminal records check pursuant to section 41-1750 and  
31 Public Law 92-544. If an applicant will have direct contact with students,  
32 the applicant shall possess a valid fingerprint clearance card that is issued

1       pursuant to title 41, chapter 12, article 3.1. The department of public  
2       safety may exchange this fingerprint data with the federal bureau of  
3       investigation. The criminal records check shall be completed before the  
4       issuance of a charter.

5             4. All persons engaged in instructional work directly as a classroom,  
6       laboratory or other teacher or indirectly as a supervisory teacher, speech  
7       therapist or principal shall have a valid fingerprint clearance card that is  
8       issued pursuant to title 41, chapter 12, article 3.1, unless the person is a  
9       volunteer or guest speaker who is accompanied in the classroom by a person  
10      with a valid fingerprint clearance card. A charter school shall not employ a  
11      teacher whose certificate has been revoked for a violation of section 15-507  
12      or 15-550 or for any offense that placed a pupil in danger. All other  
13      personnel shall be fingerprint checked pursuant to section 15-512. Before  
14      employment, the charter school shall make documented, good faith efforts to  
15      contact previous employers of a person to obtain information and  
16      recommendations that may be relevant to a person's fitness for employment as  
17      prescribed in section 15-512, subsection F. The charter school shall notify  
18      the department of public safety if the charter school or sponsor receives  
19      credible evidence that a person who possesses a valid fingerprint clearance  
20      card is arrested for or is charged with an offense listed in section  
21      41-1758.03, subsection B. Charter schools may hire personnel that have not  
22      yet received a fingerprint clearance card if proof is provided of the  
23      submission of an application to the department of public safety for a  
24      fingerprint clearance card and if the charter school that is seeking to hire  
25      the applicant does all of the following:

26             (a) Documents in the applicant's file the necessity for hiring and  
27      placement of the applicant before receiving a fingerprint clearance card.

28             (b) Ensures that the department of public safety completes a statewide  
29      criminal records check on the applicant. A statewide criminal records check  
30      shall be completed by the department of public safety every one hundred  
31      twenty days until the date that the fingerprint check is completed.

1 (c) Obtains references from the applicant's current employer and the  
2 two most recent previous employers except for applicants who have been  
3 employed for at least five years by the applicant's most recent employer.

4 (d) Provides general supervision of the applicant until the date that  
5 the fingerprint card is obtained.

6 (e) Completes a search of criminal records in all local jurisdictions  
7 outside of this state in which the applicant has lived in the previous five  
8 years.

9 (f) Verifies the fingerprint status of the applicant with the  
10 department of public safety.

11 5. If a charter school operator is not already subject to a public  
12 meeting or hearing by the municipality in which the charter school is  
13 located, the operator of a charter school shall conduct a public meeting at  
14 least thirty days before the charter school operator opens a site or sites  
15 for the charter school. The charter school operator shall post notices of  
16 the public meeting in at least three different locations that are within  
17 three hundred feet of the proposed charter school site.

18 6. A person who is employed by a charter school or who is an applicant  
19 for employment with a charter school, who is arrested for or charged with a  
20 nonappealable offense listed in section 41-1758.03, subsection B and who does  
21 not immediately report the arrest or charge to the person's supervisor or  
22 potential employer is guilty of unprofessional conduct and the person shall  
23 be immediately dismissed from employment with the charter school or  
24 immediately excluded from potential employment with the charter school.

25 7. A person who is employed by a charter school and who is convicted  
26 of any nonappealable offense listed in section 41-1758.03, subsection B or is  
27 convicted of any nonappealable offense that amounts to unprofessional conduct  
28 under section 15-550 shall immediately do all of the following:

29 (a) Surrender any certificates issued by the department of education.

30 (b) Notify the person's employer or potential employer of the  
31 conviction.

32 (c) Notify the department of public safety of the conviction.

1 (d) Surrender the person's fingerprint clearance card.

2 D. A board that is authorized to sponsor charter schools pursuant to  
3 this article has no legal authority over or responsibility for a charter  
4 school sponsored by a different board. This subsection does not apply to the  
5 state board of education's duty to exercise general supervision over the  
6 public school system pursuant to section 15-203, subsection A, paragraph 1.

7 E. The charter of a charter school shall ensure the following:

8 1. Compliance with federal, state and local rules, regulations and  
9 statutes relating to health, safety, civil rights and insurance. The  
10 department of education shall publish a list of relevant rules, regulations  
11 and statutes to notify charter schools of their responsibilities under this  
12 paragraph.

13 2. That it is nonsectarian in its programs, admission policies and  
14 employment practices and all other operations.

15 3. That it provides a comprehensive program of instruction for at  
16 least a kindergarten program or any grade between grades one and twelve,  
17 except that a school may offer this curriculum with an emphasis on a specific  
18 learning philosophy or style or certain subject areas such as mathematics,  
19 science, fine arts, performance arts or foreign language.

20 4. That it designs a method to measure pupil progress toward the pupil  
21 outcomes adopted by the state board of education pursuant to section  
22 15-741.01, including participation in the Arizona instrument to measure  
23 standards test and the nationally standardized norm-referenced achievement  
24 test as designated by the state board and the completion and distribution of  
25 an annual report card as prescribed in chapter 7, article 3 of this title.

26 5. That, except as provided in this article and in its charter, it is  
27 exempt from all statutes and rules relating to schools, governing boards and  
28 school districts.

29 6. That, except as provided in this article, it is subject to the same  
30 financial and electronic data submission requirements as a school district,  
31 including the uniform system of financial records as prescribed in chapter 2,  
32 article 4 of this title, procurement rules as prescribed in section 15-213

1 and audit requirements. The auditor general shall conduct a comprehensive  
2 review and revision of the uniform system of financial records to ensure that  
3 the provisions of the uniform system of financial records that relate to  
4 charter schools are in accordance with commonly accepted accounting  
5 principles used by private business. A school's charter may include  
6 exceptions to the requirements of this paragraph that are necessary as  
7 determined by the district governing board, the state board of education or  
8 the state board for charter schools. The department of education or the  
9 office of the auditor general may conduct financial, program or compliance  
10 audits.

11 7. Compliance with all federal and state laws relating to the  
12 education of children with disabilities in the same manner as a school  
13 district.

14 8. That it provides for a governing body for the charter school that  
15 is responsible for the policy decisions of the charter school.

16 9. That it provides a minimum of one hundred seventy-five  
17 instructional days before June 30 of each fiscal year unless it is operating  
18 on an alternative calendar approved by its sponsor. The superintendent of  
19 public instruction shall adjust the apportionment schedule accordingly to  
20 accommodate a charter school utilizing an alternative calendar.

21 F. The charter of a charter school shall include a description of the  
22 charter school's personnel policies, personnel qualifications and method of  
23 school governance and the specific role and duties of the sponsor of the  
24 charter school. A charter school shall keep on file the resumes of all  
25 current and former employees who provide instruction to pupils at the charter  
26 school. Resumes shall include an individual's educational and teaching  
27 background and experience in a particular academic content subject area. A  
28 charter school shall inform parents and guardians of the availability of the  
29 resume information and shall make the resume information available for  
30 inspection on request of parents and guardians of pupils enrolled at the  
31 charter school. Nothing in this subsection shall be construed to require any  
32 charter school to release personally identifiable information in relation to

1 any teacher or employee including the teacher's or employee's address,  
2 salary, social security number or telephone number.

3 G. The charter of a charter school may be amended at the request of  
4 the governing body of the charter school and on the approval of the sponsor.

5 H. Charter schools may contract, sue and be sued.

6 I. An approved plan to establish a charter school is effective for  
7 fifteen years from the first day of operation. At least eighteen months  
8 before the expiration of the approved plan, the sponsor shall notify the  
9 charter school that the charter school may apply for renewal. A charter  
10 school that elects to apply for renewal shall file an application for renewal  
11 at least fifteen months before the expiration of the approved plan. In  
12 addition to any other requirements, the application for renewal shall include  
13 a detailed business plan for the charter school. The sponsor may deny the  
14 request for renewal if, in its judgment, the charter school has failed to  
15 complete the obligations of the contract or has failed to comply with this  
16 article. A sponsor shall give written notice of its intent not to renew the  
17 charter school's request for renewal to the charter school at least twelve  
18 months before the expiration of the approved plan to allow the charter school  
19 an opportunity to apply to another sponsor to transfer the operation of the  
20 charter school. If the operation of the charter school is transferred to  
21 another sponsor, the fifteen year period of the current charter shall be  
22 maintained. A sponsor shall review a charter at five year intervals and may  
23 revoke a charter at any time if the charter school breaches one or more  
24 provisions of its charter. At least ninety days before the effective date of  
25 the proposed revocation the sponsor shall give written notice to the operator  
26 of the charter school of its intent to revoke the charter. Notice of the  
27 sponsor's intent to revoke the charter shall be delivered personally to the  
28 operator of the charter school or sent by certified mail, return receipt  
29 requested, to the address of the charter school. The notice shall  
30 incorporate a statement of reasons for the proposed revocation of the  
31 charter. The sponsor shall allow the charter school at least ninety days to  
32 correct the problems associated with the reasons for the proposed revocation



1 of the charter. The final determination of whether to revoke the charter  
2 shall be made at a public hearing called for such purpose.

3 J. After renewal of the charter at the end of the fifteen year period  
4 described in subsection I of this section, the charter may be renewed for  
5 successive periods of fifteen years if the charter school and its sponsor  
6 deem that the school is in compliance with its own charter and this article.

7 K. A charter school that is sponsored by the state board of education  
8 or the state board for charter schools may not be located on the property of  
9 a school district unless the district governing board grants this authority.

10 L. A governing board or a school district employee who has control  
11 over personnel actions shall not take unlawful reprisal against another  
12 employee of the school district because the employee is directly or  
13 indirectly involved in an application to establish a charter school. A  
14 governing board or a school district employee shall not take unlawful  
15 reprisal against an educational program of the school or the school district  
16 because an application to establish a charter school proposes the conversion  
17 of all or a portion of the educational program to a charter school. For the  
18 purposes of this subsection, "unlawful reprisal" means an action that is  
19 taken by a governing board or a school district employee as a direct result  
20 of a lawful application to establish a charter school and that is adverse to  
21 another employee or an education program and:

22 1. With respect to a school district employee, results in one or more  
23 of the following:

24 (a) Disciplinary or corrective action.

25 (b) Detail, transfer or reassignment.

26 (c) Suspension, demotion or dismissal.

27 (d) An unfavorable performance evaluation.

28 (e) A reduction in pay, benefits or awards.

29 (f) Elimination of the employee's position without a reduction in  
30 force by reason of lack of monies or work.

31 (g) Other significant changes in duties or responsibilities that are  
32 inconsistent with the employee's salary or employment classification.

1           2. With respect to an educational program, results in one or more of  
2 the following:

3           (a) Suspension or termination of the program.

4           (b) Transfer or reassignment of the program to a less favorable  
5 department.

6           (c) Relocation of the program to a less favorable site within the  
7 school or school district.

8           (d) Significant reduction or termination of funding for the program.

9           M. Charter schools shall secure insurance for liability and property  
10 loss. The governing body of a charter school that is sponsored by the state  
11 board of education or the state board for charter schools may enter into an  
12 intergovernmental agreement or otherwise contract to participate in an  
13 insurance program offered by a risk retention pool established pursuant to  
14 section 11-952.01 or 41-621.01 or the charter school may secure its own  
15 insurance coverage. The pool may charge the requesting charter school  
16 reasonable fees for any services it performs in connection with the insurance  
17 program.

18           N. Charter schools do not have the authority to acquire property by  
19 eminent domain.

20           O. A sponsor, including members, officers and employees of the  
21 sponsor, is immune from personal liability for all acts done and actions  
22 taken in good faith within the scope of its authority.

23           P. Charter school sponsors and this state are not liable for the debts  
24 or financial obligations of a charter school or persons who operate charter  
25 schools.

26           Q. The sponsor of a charter school shall establish procedures to  
27 conduct administrative hearings on determination by the sponsor that grounds  
28 exist to revoke a charter. Procedures for administrative hearings shall be  
29 similar to procedures prescribed for adjudicative proceedings in title 41,  
30 chapter 6, article 10. Except as provided in section 41-1092.08, subsection  
31 H, final decisions of the state board of education and the state board for

1 charter schools from hearings conducted pursuant to this subsection are  
2 subject to judicial review pursuant to title 12, chapter 7, article 6.

3 R. The sponsoring entity of a charter school shall have oversight and  
4 administrative responsibility for the charter schools that it sponsors.

5 S. Charter schools may pledge, assign or encumber their assets to be  
6 used as collateral for loans or extensions of credit.

7 T. All property accumulated by a charter school shall remain the  
8 property of the charter school.

9 ~~U. Charter schools may not locate a school on property that is less  
10 than one-fourth mile from agricultural land regulated pursuant to section  
11 3-365, except that the owner of the agricultural land may agree to comply  
12 with the buffer zone requirements of section 3-365. If the owner agrees in  
13 writing to comply with the buffer zone requirements and records the agreement  
14 in the office of the county recorder as a restrictive covenant running with  
15 the title to the land, the charter school may locate a school within the  
16 affected buffer zone. The agreement may include any stipulations regarding  
17 the charter school, including conditions for future expansion of the school  
18 and changes in the operational status of the school that will result in a  
19 breach of the agreement.~~

20 ~~V.~~ U. A transfer of a charter to another sponsor, a transfer of a  
21 charter school site to another sponsor or a transfer of a charter school site  
22 to a different charter shall be completed before the beginning of the fiscal  
23 year that the transfer is scheduled to become effective. An entity that  
24 sponsors charter schools may accept a transferring school after the beginning  
25 of the fiscal year if the transfer is approved by the superintendent of  
26 public instruction. The superintendent of public instruction shall have the  
27 discretion to consider each transfer during the fiscal year on a case by case  
28 basis. If a charter school is sponsored by a school district that is  
29 determined to be out of compliance with this title, the uniform system of  
30 financial records or any other state or federal law, the charter school may  
31 transfer to another sponsoring entity at any time during the fiscal year.

1           ~~W.~~ V. The sponsoring entity may not charge any fees to a charter  
2 school that it sponsors unless the sponsor has provided services to the  
3 charter school and the fees represent the full value of those services  
4 provided by the sponsor. On request, the value of the services provided by  
5 the sponsor to the charter school shall be demonstrated to the department of  
6 education."

7 Renumber to conform

8 Page 26, between lines 4 and 5, insert:

9           "Sec. 8. Section 15-541, Arizona Revised Statutes, is amended to read:

10           15-541. Hearing on dismissal

11           A. The governing board shall decide whether to hold a hearing on the  
12 dismissal or suspension without pay for a period of time longer than ten days  
13 of a certificated teacher as provided in this article. If the governing  
14 board decides not to hold a hearing, the governing board shall designate a  
15 hearing officer to hold the hearing, hear the evidence, prepare a record and  
16 issue a recommendation to the governing board for action. The governing  
17 board may provide by policy or vote at its annual organizational meeting that  
18 all hearings conducted pursuant to this section will be conducted before a  
19 hearing officer. The hearing officer will be mutually agreed upon by the  
20 parties to the hearing. If the parties cannot mutually agree on a hearing  
21 officer, a hearing officer will be selected by the governing board from a  
22 list provided by the department of education or the American arbitration  
23 association. The hearing shall be held not less than ~~ten~~ FIFTEEN nor more  
24 than ~~twenty-five~~ THIRTY days after the request is filed unless all parties to  
25 the hearing mutually agree to a different hearing date, and notice of the  
26 time and place of the hearing shall be given to the teacher not less than  
27 three days before the date of the hearing. The teacher may request that the  
28 hearing be conducted in public or private. At the hearing the teacher may  
29 appear in person and by counsel, if desired, and may present any testimony,  
30 evidence or statements, either oral or in writing, in the teacher's  
31 behalf. The governing board or the hearing officer shall prepare an official  
32 record of the hearing, including all testimony recorded manually or by

1 mechanical device, and exhibits. The teacher who is the subject of the  
2 hearing may not request that the testimony be transcribed unless the teacher  
3 agrees in writing to pay the actual cost of the transcription. Within ten  
4 days after a hearing conducted by the governing board, the board shall  
5 determine whether there existed good and just cause for the notice of  
6 dismissal or suspension and shall render its decision accordingly, either  
7 affirming or withdrawing the notice of dismissal or suspension. Within ten  
8 days after a hearing conducted by a hearing officer, the hearing officer  
9 shall deliver a written recommendation to the governing board that includes  
10 findings of fact and conclusions. Parties to the hearing have the right to  
11 object to the findings of the hearing officer and present oral and written  
12 arguments to the governing board.

13 B. A hearing held pursuant to this section may not be conducted by  
14 any hearing officer having a personal interest which would conflict with his  
15 or her objectivity in the hearing. The governing board has an additional ten  
16 days to determine whether good and just cause existed for the notice of  
17 dismissal or suspension and shall render its decision accordingly, either  
18 affirming or withdrawing the notice of suspension or dismissal. Good and  
19 just cause does not include religious or political beliefs or affiliations  
20 unless they are in violation of the oath of the teacher."

21 Renumber to conform

22 Page 30, between lines 24 and 25, insert:

23 "Sec. 11. Section 15-905, Arizona Revised Statutes, is amended to  
24 read:

25 15-905. School district budgets; notice; adoption; aggregate  
26 budget limit; summary; adjustments; definition

27 A. Not later than July 5 of each year or no later than the publication  
28 of notice of the public hearing and board meeting as required by this  
29 section, the governing board of each school district shall prepare and  
30 furnish to the superintendent of public instruction and the county school  
31 superintendent, unless waived by the county school superintendent, a proposed  
32 budget in electronic format for the budget year, which shall contain the

1 information and be in the form as provided by the department of  
2 education. The proposed budget shall include the following:

3 1. The total amount of revenues from all sources that was necessary to  
4 meet the school district's budget for the current year.

5 2. The total amount of revenues by source that will be necessary to  
6 meet the proposed budget of the school district, excluding property  
7 taxes. The governing board shall prepare the proposed budget and a summary  
8 of the proposed budget. Both documents shall be kept on file at the school  
9 district office and shall be made available to the public upon request. The  
10 auditor general in conjunction with the department of education shall  
11 prescribe the form of the summary of the proposed budget for use by governing  
12 boards. School district governing boards may include in the proposed budget  
13 any items or amounts which are authorized by legislation filed with the  
14 secretary of state and which will become effective during the budget  
15 year. If subsequent events prevent the legislation from becoming effective,  
16 school district governing boards must reduce their budgets by the amounts  
17 budgeted pursuant to the legislation which did not become effective.

18 B. The governing board of each school district shall prepare a notice  
19 fixing a time not later than July 15 and designating a public place within  
20 each school district at which a public hearing and board meeting shall be  
21 held. The governing board shall present the proposed budget for  
22 consideration of the residents and the taxpayers of the school district at  
23 such hearing and meeting.

24 C. The governing board of each school district shall publish or mail,  
25 prior to the hearing and meeting, a copy of the proposed budget or the  
26 summary of the proposed budget and, in addition, a notice of the public  
27 hearing and board meeting no later than ten days prior to the meeting. The  
28 proposed budget and the summary of the proposed budget shall contain the  
29 percentage of increase or decrease in each budget category of the proposed  
30 budget as compared to each category of the budget for the current  
31 year. Notification shall be either by publication in a newspaper of general  
32 circulation within the school district in which the size of the newspaper

1 print shall be at least eight-point type, by electronic transmission of the  
2 information to the department of education for posting on the department's  
3 web site or by mailing the information to each household in the school  
4 district. The cost of publication, web site posting or mailing shall be a  
5 charge against the school district. The publisher's affidavit of publication  
6 shall be filed by the governing board with the superintendent of public  
7 instruction within thirty days after publication. If the budget or proposed  
8 budget and notice are posted on a web site maintained by the department of  
9 education or mailed, the board shall file an affidavit with the  
10 superintendent of public instruction within thirty days after the mailing or  
11 the date that the information is posted on the web site. If a truth in  
12 taxation notice and hearing is required under section 15-905.01, the  
13 governing board may combine the notice and hearing under this section with  
14 the truth in taxation notice and hearing.

15 D. At the time and place fixed in the notice, the governing board  
16 shall hold the public hearing and present the proposed budget to the persons  
17 attending the hearing. Upon request of any person, the governing board shall  
18 explain the budget, and any resident or taxpayer of the school district may  
19 protest the inclusion of any item. A governing board member who has a  
20 substantial interest, as defined in section 38-502, in a specific item in the  
21 school district budget shall refrain from voting on the specific item. A  
22 governing board member may without creating a conflict of interest  
23 participate in adoption of a final budget even though the member may have  
24 substantial interest in specific items included in the budget.

25 E. Immediately following the public hearing the president shall call  
26 to order the governing board meeting for the purpose of adopting the  
27 budget. The governing board shall adopt the budget which shall not exceed  
28 the general budget limit, the unrestricted capital budget limit or the soft  
29 capital allocation limit, making such deductions as it sees fit but making no  
30 additions to the proposed budget total for maintenance and operations or  
31 capital outlay, and shall enter the budget as adopted in its minutes. Not  
32 later than July 18, the budget as finally adopted shall be filed by the

1 governing board with the county school superintendent who shall immediately  
2 transmit a copy to the board of supervisors. Not later than July 18, the  
3 budget as finally adopted shall be submitted electronically to the  
4 superintendent of public instruction. On or before October 30, the  
5 superintendent of public instruction shall review the budget and notify the  
6 governing board if the budget is in excess of the general budget limit, the  
7 unrestricted capital budget limit or the soft capital allocation limit. ~~If~~  
8 ~~the governing board receives notification that the budget is in excess of the~~  
9 ~~general budget limit, the unrestricted capital budget limit or the soft~~  
10 ~~capital allocation limit by fewer than one thousand dollars, the governing~~  
11 ~~board shall adjust the budget and expenditures so as not to exceed the~~  
12 ~~general budget limit, the unrestricted capital budget limit or the soft~~  
13 ~~capital allocation limit for the current year. If the governing board~~  
14 ~~receives notification that the budget is in excess of the general budget~~  
15 ~~limit, the unrestricted capital budget limit or the soft capital allocation~~  
16 ~~limit by one thousand dollars or more, it shall on or before December 15,~~  
17 ~~after it gives notice and holds a public meeting in a similar manner as~~  
18 ~~provided in subsections C and D of this section, adopt a revised budget for~~  
19 ~~the current year which shall not exceed the general budget limit, the~~  
20 ~~unrestricted capital budget limit or the soft capital allocation limit. THE~~  
21 ~~GOVERNING BOARD SHALL REVISE THE BUDGET AS FOLLOWS:~~

22 1. IF THE GOVERNING BOARD RECEIVES NOTIFICATION THAT THE BUDGET  
23 EXCEEDS THE GENERAL BUDGET LIMIT, THE UNRESTRICTED CAPITAL BUDGET LIMIT OR  
24 THE SOFT CAPITAL ALLOCATION LIMIT BY ONE PERCENT OF THE GENERAL BUDGET LIMIT  
25 OR ONE HUNDRED THOUSAND DOLLARS, WHICHEVER IS LESS, IT SHALL ON OR BEFORE  
26 DECEMBER 15, AFTER IT GIVES NOTICE AND HOLDS A PUBLIC MEETING IN A SIMILAR  
27 MANNER AS PROVIDED IN SUBSECTIONS C AND D OF THIS SECTION, ADOPT A REVISED  
28 BUDGET FOR THE CURRENT YEAR WHICH SHALL NOT EXCEED THE GENERAL BUDGET LIMIT,  
29 THE UNRESTRICTED CAPITAL BUDGET LIMIT OR THE SOFT CAPITAL ALLOCATION LIMIT.

30 2. IF THE GOVERNING BOARD RECEIVED NOTIFICATION THAT THE BUDGET  
31 EXCEEDS THE GENERAL BUDGET LIMIT, THE UNRESTRICTED CAPITAL BUDGET LIMIT OR  
32 THE SOFT CAPITAL ALLOCATION LIMIT BY LESS THAN THE AMOUNT PRESCRIBED IN



1            PARAGRAPH 1 OF THIS SUBSECTION, THE GOVERNING BOARD SHALL ADJUST THE BUDGET  
2            AND EXPENDITURES SO AS NOT TO EXCEED THE GENERAL BUDGET LIMIT, THE  
3            UNRESTRICTED CAPITAL BUDGET LIMIT OR THE SOFT CAPITAL ALLOCATION LIMIT FOR  
4            THE CURRENT YEAR.

5            3. On or before December 18, the governing board shall file the  
6            revised budget which it adopts with the county school superintendent who  
7            shall immediately transmit a copy to the board of supervisors. Not later  
8            than December 18, the budget as revised shall be submitted electronically to  
9            the superintendent of public instruction. School districts that are subject  
10           to section 15-914.01 are not required to send a copy of revised budgets to  
11           the county school superintendent. Procedures for adjusting expenditures or  
12           revising the budget shall be as prescribed in the uniform system of financial  
13           records.

14           F. The governing board of each school district may budget for  
15           expenditures within the school district budget as follows:

16           1. Amounts within the general budget limit, as provided in section  
17           15-947, subsection C, may only be budgeted in the following sections of the  
18           budget:

19           (a) The maintenance and operation section.

20           (b) The capital outlay section.

21           2. Amounts within the unrestricted capital budget limit, as provided  
22           in section 15-947, subsection D, may only be budgeted in the unrestricted  
23           capital outlay subsection of the budget. Monies received pursuant to the  
24           unrestricted capital budget limit shall be placed in the unrestricted capital  
25           outlay fund. The monies in the fund are not subject to reversion.

26           3. The soft capital allocation limit, as provided in section 15-947,  
27           subsection E, may only be budgeted in the soft capital allocation subsection  
28           of the budget.

29           G. The governing board may authorize the expenditure of monies  
30           budgeted within the maintenance and operation section of the budget for any  
31           subsection within the section in excess of amounts specified in the adopted  
32           budget only by action taken at a public meeting of the governing board and if

1 the expenditures for all subsections of the section do not exceed the amount  
2 budgeted as provided in this section. Until June 30, 1999, the governing  
3 board may authorize the expenditure of monies to exceed the budgeted  
4 expenditures of the capital outlay section of the budget only by action taken  
5 at a public meeting of the governing board and if monies are available in the  
6 reserve.

7 H. The aggregate budget limit is the sum of the following:

8 1. The general budget limit as determined in section 15-947 for the  
9 budget year.

10 2. The unrestricted capital budget limit as determined in section  
11 15-947 for the budget year.

12 3. The soft capital allocation limit for the budget year as determined  
13 in section 15-947.

14 4. Federal assistance, excluding P.L. 81-874 monies.

15 I. School districts which overestimated tuition revenues as provided  
16 in section 15-947, subsection C, paragraph 2 shall adjust the general budget  
17 limit and expenditures based upon tuition revenues for attendance of  
18 nonresident pupils during the current fiscal year. School districts which  
19 underestimated tuition revenues may adjust their budgets prior to May 15  
20 based upon tuition revenues for attendance of nonresident pupils during the  
21 current fiscal year. School districts which overestimated revenues as  
22 provided in section 15-947, subsection C, paragraph 2, subdivision (a), items  
23 (iii), (iv) and (v) and subdivision (d) shall adjust the general budget limit  
24 and expenditures based on actual revenues during the current fiscal  
25 year. School districts which underestimated such revenues may adjust their  
26 budgets before May 15 based on actual revenues during the current fiscal  
27 year. Procedures for completing adjustments shall be as prescribed in the  
28 uniform system of financial records. Not later than May 18, the budget as  
29 adjusted shall be submitted electronically to the superintendent of public  
30 instruction.

31 J. A common school district not within a high school district whose  
32 estimated tuition charge for high school pupils exceeds the actual tuition

1 charge for high school pupils shall adjust the general budget limit and  
2 expenditures based on the actual tuition charge. Not later than May 18, the  
3 budget as adjusted shall be submitted electronically to the superintendent of  
4 public instruction. A common school district not within a high school  
5 district whose estimated tuition charge for high school pupils is less than  
6 the actual tuition charge for high school pupils may adjust its budget before  
7 May 15 based on the actual tuition charge. Procedures for completing  
8 adjustments shall be as prescribed in the uniform system of financial  
9 records. If the adjusted general budget limit requires an adjustment of  
10 state aid and if the adjustment to state aid is not made in the current year,  
11 the superintendent of public instruction shall adjust by August 15 of the  
12 succeeding fiscal year the apportionment of state aid to the school district  
13 to correct any overpayment or underpayment of state aid received during the  
14 current year.

15 K. The governing board may include P.L. 81-874 assistance allocated  
16 for children with disabilities, children with specific learning disabilities,  
17 children residing on Indian lands and children residing within the boundaries  
18 of an accommodation school that is located on a military reservation and that  
19 is classified as a heavily impacted local educational agency pursuant to 20  
20 United States Code section 7703 which is in addition to basic assistance when  
21 determining the general budget limit as prescribed in section 15-947,  
22 subsection C. The increase in the general budget limit for children residing  
23 within the boundaries of an accommodation school that is located on a  
24 military reservation and that is classified as a heavily impacted local  
25 education agency shall equal the dollar amount calculated pursuant to 20  
26 United States Code section 7703(b)(2). The governing board may adjust before  
27 May 15 the budget for the current year based on any adjustments which result  
28 in increases over the amount estimated by the superintendent of public  
29 instruction for P.L. 81-874 assistance for such pupils for the fiscal year  
30 preceding the current year. The governing board shall adjust before May 15  
31 the budget for the current year based on any adjustments which result in  
32 decreases in the amount estimated by the superintendent of public instruction

1 for P.L. 81-874 assistance for such pupils for the fiscal year preceding the  
2 current year. Not later than May 18, the budget as adjusted shall be  
3 submitted electronically to the superintendent of public instruction.  
4 Procedures for complying with this subsection shall be as prescribed in the  
5 uniform system of financial records.

6 L. The state board of education shall hold a hearing if expenditures  
7 by any school district exceed the general budget limit prescribed in section  
8 15-947, subsection C, the unrestricted capital budget limit, the soft capital  
9 allocation limit prescribed in section 15-947, subsection E, the school plant  
10 fund limits prescribed in section 15-1102, subsection B, the maintenance and  
11 operation section of the budget or the capital outlay section of the  
12 budget. If the expenditures of any school district exceed these limits or  
13 sections of the budget without authorization as provided in section 15-907,  
14 the state board of education shall reduce the state aid for equalization  
15 assistance for education for the school district computed as provided in  
16 section 15-971 during the fiscal year subsequent to the fiscal year in which  
17 the excess expenditures were made by an amount equal to the excess  
18 expenditures, except that in case of hardship to the school district, the  
19 superintendent of public instruction may approve reductions partly in the  
20 first subsequent year and partly in the second subsequent year.

21 M. The governing board of a school district shall reduce the general  
22 budget limit, the unrestricted capital budget limit or the soft capital  
23 allocation limit, for the year subsequent to the year in which the  
24 expenditures were in excess of the applicable limit or section of the budget  
25 by the amount determined in subsection L of this section, except that in case  
26 of hardship to the school district, the superintendent of public instruction  
27 may approve reductions partly in the first subsequent year and partly in the  
28 second subsequent year. The reduction in the limit is applicable to each  
29 school district which has exceeded the general budget limit, the unrestricted  
30 capital budget limit, the soft capital allocation limit or a section of the  
31 budget even if the reduction exceeds the state aid for equalization  
32 assistance for education for the school district.

1           N. Except as provided in section 15-916, no expenditure shall be made  
2 by any school district for a purpose not included in the budget or in excess  
3 of the aggregate budget limit prescribed in this section, except that if no  
4 budget has been adopted, from July 1 to July 15 the governing board may make  
5 expenditures if the total of the expenditures does not exceed ten per cent of  
6 the prior year's aggregate budget limit. Any expenditures made from July 1  
7 to July 15 and prior to the adoption of the budget shall be included in the  
8 total expenditures for the current year. No expenditure shall be made and no  
9 debt, obligation or liability shall be incurred or created in any year for  
10 any purpose itemized in the budget in excess of the amount specified for the  
11 item irrespective of whether the school district at any time has received or  
12 has on hand funds in excess of those required to meet the expenditures,  
13 debts, obligations and liabilities provided for under the budget except  
14 expenditures from cash controlled funds as defined by the uniform system of  
15 financial records and except as provided in section 15-907 and subsection G  
16 of this section. This subsection does not prohibit any school district from  
17 prepaying insurance premiums or magazine subscriptions, or from prepaying any  
18 item which is normally prepaid in order to procure the service or to receive  
19 a discounted price for the service, as prescribed by the uniform system of  
20 financial records.

21           O. The governing board of a school district which is classified as a  
22 heavily impacted school district having twenty per cent or more pupils  
23 pursuant to 20 United States Code section 238(d)1(A) may determine its  
24 eligibility to increase the amount that may be included in determining the  
25 general budget limit as provided in subsection K of this section and may  
26 increase the amount as follows:

27           1. For fiscal year 1988-1989:

28           (a) Multiply one thousand ninety-four dollars by the number of  
29 children with disabilities or children with specific learning disabilities,  
30 excluding children who also reside on Indian lands, reported to the division  
31 of impact aid, United States department of education in the district's  
32 application for fiscal year 1987-1988.

1           (b) Multiply five hundred forty-seven dollars by the number of  
2 children residing on Indian lands, excluding children who have disabilities  
3 or also have specific learning disabilities, reported to the division of  
4 impact aid, United States department of education in the district's  
5 application for fiscal year 1987-1988.

6           (c) Multiply one thousand nine hundred fourteen dollars by the number  
7 of children residing on Indian lands who have disabilities or also have  
8 specific learning disabilities reported to the division of impact aid, United  
9 States department of education in the district's application for fiscal year  
10 1987-1988.

11           (d) Add the amounts determined in subdivisions (a) through (c).

12           (e) If the amount of P.L. 81-874 assistance as provided in subsection  
13 K of this section is less than the sum determined in subdivision (d) of this  
14 paragraph, the district is eligible to use the provisions of this subsection.

15           2. For budget years after 1988-1989, use the provisions of paragraph 1  
16 of this subsection, but increase each dollar amount by the growth rate for  
17 that year as prescribed by law, subject to appropriation and use the number  
18 of children reported in the appropriate category for the current fiscal year.

19           3. If the district is eligible to use the provisions of this  
20 subsection, subtract the amount of P.L. 81-874 assistance determined in  
21 subsection K of this section from the sum determined in paragraph 1,  
22 subdivision (d) of this subsection. The difference is the increase in the  
23 amount that may be included in determining the general budget limit as  
24 provided in subsection K of this section, if including this amount does not  
25 increase the district's primary tax rate for the budget year. If the amount  
26 of P.L. 81-874 assistance determined in subsection K of this section is  
27 adjusted for the current year, the increase determined in this paragraph  
28 shall be recomputed using the adjusted amount and the recomputed increase  
29 shall be reported to the department of education by May 15 on a form  
30 prescribed by the department of education.

31           4. If a district uses the provisions of this subsection, the district  
32 is not required to adjust its budget for the current year based on

1 adjustments in the estimated amount of P.L. 81-874 assistance as provided in  
2 subsection K of this section.

3 P. A school district, except for an accommodation school, which  
4 applies for P.L. 81-874 assistance during the current year may budget an  
5 amount for P.L. 81-874 administrative costs for the budget year. The amount  
6 budgeted for P.L. 81-874 administrative costs is exempt from the revenue  
7 control limit and may not exceed an amount determined for the budgeted year  
8 as follows:

9 1. Determine the minimum cost. The minimum cost for fiscal year  
10 1990-1991 is two thousand three hundred forty-three dollars. For fiscal year  
11 1991-1992 and thereafter, the minimum cost is the minimum cost for the prior  
12 year increased by the growth rate as prescribed by law, subject to  
13 appropriation.

14 2. Determine the hourly rate. The hourly rate for fiscal year  
15 1990-1991 is nine dollars thirty-eight cents. For fiscal year 1991-1992 and  
16 thereafter, the hourly rate is the hourly rate for the prior year increased  
17 by the growth rate as prescribed by law, subject to appropriation.

18 3. Determine the P.L. 81-874 revenues available by subtracting the  
19 amount of P.L. 81-874 assistance used to increase the general budget limit as  
20 provided in subsections K and O of this section for the current fiscal year  
21 from the total amount of P.L. 81-874 revenues received in the current fiscal  
22 year.

23 4. Determine the total number of administrative hours as follows:

24 (a) Determine the sum of the following:

25 (i) 1.00 hours for each high impact pupil who is not disabled or does  
26 not have specific learning disabilities.

27 (ii) 1.25 hours for each high impact pupil who is disabled or has  
28 specific learning disabilities.

29 (iii) 0.25 hours for each low impact pupil who is not disabled or does  
30 not have specific learning disabilities.

31 (iv) 0.31 hours for each low impact pupil who is disabled or has  
32 specific learning disabilities.

1 (b) For the purposes of this paragraph:

2 (i) "High impact pupil" means a pupil who resides on Indian lands or a  
3 pupil who resides on federal property or in low rent housing and whose parent  
4 is employed on federal property or low rent housing property or is on active  
5 duty in uniformed service, as provided in P.L. 81-874, section 3(a) and as  
6 reported in the application for P.L. 81-874 assistance in the current year.

7 (ii) "Low impact pupil" means a pupil who resides on nonfederal  
8 property and has a parent who is employed on federal property or low rent  
9 housing property or is on active duty in a uniformed service or a pupil who  
10 resides on federal property or in low rent housing and who does not have a  
11 parent who is employed on federal property or low rent housing property or is  
12 on active duty in uniformed service, as provided in P.L. 81-874, section 3(b)  
13 and as reported in the application for P.L. 81-874 assistance in the current  
14 year.

15 5. Multiply the total number of administrative hours determined in  
16 paragraph 4 of this subsection by the hourly rate determined in paragraph 2  
17 of this subsection.

18 6. Determine the greater of the minimum cost determined in paragraph 1  
19 of this subsection or the product determined in paragraph 5 of this  
20 subsection.

21 7. Add to the amount determined in paragraph 6 of this subsection the  
22 amount, if any, to be expended by the school district in the budget year  
23 through an intergovernmental agreement with other school districts or the  
24 department of education to provide P.L. 81-874 technical assistance to  
25 participating districts.

26 8. Determine the lesser of the amount determined in paragraph 7 of  
27 this subsection or the revenues available as determined in paragraph 3 of  
28 this subsection.

29 9. The amount determined in paragraph 8 of this subsection is the  
30 maximum amount which may be budgeted for P.L. 81-874 administrative costs for  
31 the budget year as provided in this subsection.



1           10. If the governing board underestimated the amount that may be  
2 budgeted for P.L. 81-874 administrative costs for the current year, the board  
3 may adjust the general budget limit and the budget before May 15. If the  
4 governing board overestimated the amount that may be budgeted for P.L. 81-874  
5 administrative costs for the current year, the board shall adjust the general  
6 budget limit and the budget before May 15.

7           Q. If a school district governing board has adopted a budget for a  
8 fiscal year based on forms and instructions provided by the auditor general  
9 and the department of education for that fiscal year and if, as a result of  
10 the enactment or nonenactment of proposed legislation after May 1 of the  
11 previous fiscal year, the budget is based on incorrect limits, does not  
12 include items authorized by law or does not otherwise conform with law, the  
13 governing board may revise its budget at a public hearing on or before  
14 September 15 to conform with the law. Not later than September 18, the  
15 budget as adjusted shall be submitted electronically to the superintendent of  
16 public instruction. If the governing board does not revise the budget on or  
17 before September 15 and if the budget includes any items not authorized by  
18 law or if the budget exceeds any limits, the governing board shall adjust or  
19 revise the budget as provided in subsection E of this section.

20           R. For the purposes of this section, "P.L. 81-874 assistance" means,  
21 for the current year, an amount equal to the final determination of  
22 P.L. 81-874 assistance for the fiscal year preceding the current year as  
23 confirmed by the division of impact aid, United States department of  
24 education or, if a final determination has not been made, the amount  
25 estimated by the superintendent of public instruction as confirmed by the  
26 division of impact aid, United States department of education and, for the  
27 budget year, an amount equal to the determination of P.L. 81-874 assistance  
28 for the fiscal year preceding the budget year as estimated by the  
29 superintendent of public instruction.

30           Sec. 12. [Repeal](#)

31           Section [15-910.03](#), Arizona Revised Statutes, is repealed.

1           Sec. 13. Section 15-914, Arizona Revised Statutes, is amended to read:

2           15-914. Financial and compliance audits

3           A. The governing board of a school district ~~which~~ THAT is required to  
4           comply with the single audit act amendments of 1996 (P.L. 104-156; 110 Stat.  
5           1396; 31 United States Code sections 7501 through 7507) shall contract for at  
6           least annual financial and compliance audits of financial transactions and  
7           accounts subject to the single audit act amendments of 1996 and kept by or  
8           for the school district. Beginning with fiscal year 2003-2004, the governing  
9           board of a school district that is not required to comply with the single  
10          audit act and that has adopted an expenditure budget of two million dollars  
11          or more for the maintenance and operation fund pursuant to section 15-905  
12          shall contract for an annual financial statement audit. Beginning with  
13          fiscal year 2004-2005, the governing board of a school district that is not  
14          required to comply with the single audit act and that has adopted an  
15          expenditure budget of less than two million dollars but more than seven  
16          hundred thousand dollars for the maintenance and operation fund pursuant to  
17          section 15-905 shall contract for a biennial financial statement audit. An  
18          independent certified public accountant shall conduct the audit in accordance  
19          with generally accepted governmental auditing standards. TO THE EXTENT  
20          PERMITTED BY FEDERAL LAW, A SCHOOL DISTRICT THAT IS REQUIRED TO PARTICIPATE  
21          IN AN ANNUAL AUDIT PURSUANT TO THIS SUBSECTION MAY CONVERT TO A BIENNIAL  
22          AUDIT SCHEDULE IF THE PREVIOUS ANNUAL AUDIT DID NOT CONTAIN ANY NEGATIVE  
23          FINDINGS. IF A BIENNIAL AUDIT OF A SCHOOL DISTRICT CONDUCTED PURSUANT TO THIS  
24          SUBSECTION CONTAINS ANY NEGATIVE FINDINGS, THE SCHOOL DISTRICT SHALL CONVERT  
25          BACK TO AN ANNUAL AUDIT SCHEDULE.

26          B. The governing board of a charter school that is required to comply  
27          with the single audit act amendments of 1996 shall contract for an annual  
28          financial and compliance audit of financial transactions and accounts subject  
29          to the single audit act amendments of 1996 and kept by or for the charter  
30          school. TO THE EXTENT PERMITTED BY FEDERAL LAW, A CHARTER SCHOOL THAT IS  
31          REQUIRED TO PARTICIPATE IN AN ANNUAL AUDIT PURSUANT TO THIS SUBSECTION MAY  
32          CONVERT TO A BIENNIAL AUDIT SCHEDULE IF THE PREVIOUS ANNUAL AUDIT DID NOT

1           CONTAIN ANY NEGATIVE FINDINGS. IF A BIENNIAL AUDIT OF A CHARTER SCHOOL  
2           CONDUCTED PURSUANT TO THIS SUBSECTION CONTAINS ANY NEGATIVE FINDINGS, THE  
3           CHARTER SCHOOL SHALL CONVERT BACK TO AN ANNUAL AUDIT SCHEDULE.

4           C. A charter school that is not subject to the single audit act  
5           amendments of 1996 shall contract for at least an annual financial statement  
6           audit conducted in accordance with generally accepted governmental auditing  
7           standards. An independent certified public accountant shall conduct the  
8           audit. TO THE EXTENT PERMITTED BY FEDERAL LAW, A CHARTER SCHOOL THAT IS  
9           REQUIRED TO PARTICIPATE IN AN ANNUAL AUDIT PURSUANT TO THIS SUBSECTION MAY  
10          CONVERT TO A BIENNIAL AUDIT SCHEDULE IF THE PREVIOUS ANNUAL AUDIT DID NOT  
11          CONTAIN ANY NEGATIVE FINDINGS. IF A BIENNIAL AUDIT OF A CHARTER SCHOOL  
12          CONDUCTED PURSUANT TO THIS SUBSECTION CONTAINS ANY NEGATIVE FINDINGS, THE  
13          CHARTER SCHOOL SHALL CONVERT BACK TO AN ANNUAL AUDIT SCHEDULE.

14          D. For all audits referred to in subsections A, B and C of this  
15          section, the independent certified public accountant shall submit a uniform  
16          system of financial records compliance questionnaire to the auditor general  
17          with the applicable audit reports.

18          E. Contracts for all financial and compliance audits and financial  
19          statement audits and the completed audits shall be approved by the auditor  
20          general as provided in section 41-1279.21. Contracts for all financial and  
21          compliance audits and financial statement audits shall comply with the rules  
22          for competitive sealed proposals as prescribed by the state board of  
23          education in section 15-213.

24          F. If the school district or charter school will incur costs of  
25          financial and compliance audits for the budget year, the governing board of a  
26          school district or the governing body of the charter school may increase its  
27          base support level for the budget year by an amount equal to the amount  
28          expended for the district's or charter school's financial and compliance  
29          audits in the year before the current year, increased by the growth rate as  
30          prescribed by law, subject to appropriation. In determining the amount  
31          expended for the district's or charter school's financial and compliance  
32          audits, the school district or charter school shall include only the portion

1 of the audit ~~which~~ THAT must be paid from monies other than federal  
2 monies. The department of education and the auditor general shall prescribe  
3 a method for determining the increase in the base support level and shall  
4 include in the maintenance and operation section of the budget format, as  
5 provided in section 15-903, a separate line for financial and compliance  
6 audits expenditures.

7 G. Beginning in fiscal year 2003-2004, every audit contract shall  
8 include a systematic review of average daily membership, as defined in  
9 section 15-901, using methodology that is consistent with guidelines  
10 established by the auditor general. The auditor general shall consider cost  
11 when establishing guidelines pursuant to this subsection and, to the extent  
12 possible, shall attempt to minimize the cost of the review. The purpose of  
13 the review is to determine whether the average daily membership reported by  
14 the charter school or school district is in compliance with the laws of this  
15 state and the uniform systems of financial records for charter schools and  
16 school districts.

17 Sec. 14. Section 15-914.01, Arizona Revised Statutes, is amended to  
18 read:

19 15-914.01. Accounting responsibility; definition

20 A. School districts with a student count of at least four thousand may  
21 apply to the state board of education to assume accounting responsibility.

22 B. A school district applying to the state board of education to  
23 assume accounting responsibility shall develop and file with the department  
24 of education an accounting responsibility plan and document in the plan:

25 1. Administrative and internal accounting controls designed to achieve  
26 compliance with the uniform system of financial records and the objectives of  
27 this section, including:

28 (a) Procedures for approving, preparing and signing vouchers and  
29 warrants.

30 (b) Procedures to ensure verification of administrators' and teachers'  
31 certification records with the department of education for all classroom and  
32 administrative personnel required to hold a certificate by the state board of

1 education pursuant to section 15-203 before issuing warrants for their  
2 services.

3 (c) Procedures to account for all revenues, including allocation of  
4 certain revenues to funds.

5 (d) Procedures for reconciling the accounting records monthly to the  
6 county treasurer.

7 2. A compilation of resources required to implement accounting  
8 responsibility, including, at a minimum, personnel, training and equipment,  
9 and A comprehensive analysis of the budgetary implications of accounting  
10 responsibility for the school district and the county treasurer.

11 C. Prior to January 1 of the fiscal year preceding the fiscal year of  
12 implementation and before submitting an application to assume accounting  
13 responsibility, a school district shall apply for evaluation by the auditor  
14 general. On completion of the evaluation the auditor general may recommend  
15 approval or denial of accounting responsibility to the state board of  
16 education. The evaluation by the auditor general shall be performed  
17 contingent on staff availability and may be billed to the school district at  
18 cost. Evaluation at a minimum shall include the following:

19 1. The most recent financial statements audited by an independent  
20 certified public accountant.

21 2. The most recent report on internal control, report on compliance  
22 and uniform system of financial records compliance questionnaire prepared by  
23 an independent certified public accountant or procedural review completed by  
24 the auditor general.

25 3. The working papers of the independent certified public accountant  
26 responsible for auditing the school district, if deemed appropriate by the  
27 auditor general.

28 4. A procedural review if deemed appropriate by the auditor general.

29 D. School districts that are approved by the state board of education  
30 to assume accounting responsibility shall contract with an independent  
31 certified public accountant for an annual financial and compliance  
32 audit. The auditor general may reevaluate the school district annually based

1 on the audit to determine compliance with the uniform system of financial  
2 records. TO THE EXTENT PERMITTED BY FEDERAL LAW, A SCHOOL DISTRICT MAY  
3 CONVERT TO A BIENNIAL AUDIT SCHEDULE IF THE PREVIOUS ANNUAL AUDIT CONDUCTED  
4 PURSUANT TO THIS SUBSECTION DID NOT CONTAIN ANY NEGATIVE FINDINGS. IF A  
5 BIENNIAL AUDIT OF A SCHOOL DISTRICT CONDUCTED PURSUANT TO THIS SUBSECTION  
6 CONTAINS ANY NEGATIVE FINDINGS, THE SCHOOL DISTRICT SHALL CONVERT BACK TO AN  
7 ANNUAL AUDIT SCHEDULE.

8 E. To assume accounting responsibility a school district shall notify  
9 the county treasurer and the county school superintendent of its intention  
10 before March 1 of the fiscal year preceding the fiscal year of  
11 implementation. On notification, the county treasurer shall establish  
12 acceptable standards for interface by school districts with the county  
13 treasurer, including specifications for computer hardware and software  
14 compatibility and procedures to ensure the capacity of each school district  
15 for reconciliation of accounts with those of the county treasurer.

16 F. Any school district that fails to maintain accounting standards as  
17 provided by the uniform system of financial records and THAT is found to be  
18 in noncompliance with the uniform system of financial records by the state  
19 board of education as provided in section 15-272 is not eligible to  
20 participate in the program provided by this section.

21 G. Any school district that has assumed accounting responsibility  
22 pursuant to this section, that fails to maintain accounting standards as  
23 provided by the uniform system of financial records and THAT is found to be  
24 in noncompliance with the uniform system of financial records by the state  
25 board of education as provided in section 15-272 is no longer eligible to  
26 participate in the program provided by this section.

27 H. For the purposes of this section, "accounting responsibility" means  
28 authority for a school district to operate with full independence from the  
29 county school superintendent with respect to revenues and expenditures,  
30 including allocating revenues, monitoring vouchers, authorizing and issuing  
31 warrants and maintaining and verifying staff records for certification and  
32 payroll purposes.

1           Sec. 15. Section 15-1021, Arizona Revised Statutes, is amended to  
2 read:

3           15-1021. Limitation on bonded indebtedness; limitation on  
4                                   authorization and issuance of bonds

5           A. Until December 31, 1999, a school district may issue class A bonds  
6 for the purposes specified in this section and chapter 4, article 5 of this  
7 title to an amount in the aggregate, including the existing indebtedness, not  
8 exceeding fifteen per cent of the taxable property used for secondary  
9 property tax purposes, as determined pursuant to title 42, chapter 15,  
10 article 1, within a school district as ascertained by the last property tax  
11 assessment previous to issuing the bonds.

12           B. From and after December 31, 1998, a school district may issue class  
13 B bonds for the purposes specified in this section and chapter 4, article 5  
14 of this title to an amount in the aggregate, including the existing class B  
15 indebtedness, not exceeding five per cent of the taxable property used for  
16 secondary property tax purposes, as determined pursuant to title 42, chapter  
17 15, article 1, within a school district as ascertained by the last assessment  
18 of state and county taxes previous to issuing the bonds, or one thousand five  
19 hundred dollars per student count as determined pursuant to section 15-902,  
20 whichever amount is greater. A school district shall not issue class B bonds  
21 until the proceeds of any class A bonds issued by the school district have  
22 been obligated in contract. The total amount of class A and class B bonds  
23 issued by a school district shall not exceed the debt limitations prescribed  
24 in article IX, section 8, Constitution of Arizona.

25           C. Until December 31, 1999, a unified school district, as defined  
26 under article IX, section 8.1, Constitution of Arizona, may issue class A  
27 bonds for the purposes specified in this section and chapter 4, article 5 of  
28 this title to an amount in the aggregate, including the existing  
29 indebtedness, not exceeding thirty per cent of the taxable property used for  
30 secondary property tax purposes, as determined pursuant to title 42, chapter  
31 15, article 1, within a unified school district as ascertained by the last  
32 property tax assessment previous to issuing the bonds.

1           D. From and after December 31, 1998, a unified school district, as  
2 defined under article IX, section 8.1, Constitution of Arizona, may issue  
3 class B bonds for the purposes specified in this section and chapter 4,  
4 article 5 of this title to an amount in the aggregate, including the existing  
5 class B indebtedness, not exceeding ten per cent of the taxable property used  
6 for secondary tax purposes, as determined pursuant to title 42, chapter 15,  
7 article 1, within a school district as ascertained by the last assessment of  
8 state and county taxes previous to issuing the bonds, or one thousand five  
9 hundred dollars per student count as determined pursuant to section 15-902,  
10 whichever amount is greater. A unified school district shall not issue class  
11 B bonds until the proceeds of any class A bonds issued by the unified school  
12 district have been obligated in contract. The total amount of class A and  
13 class B bonds issued by a unified school district shall not exceed the debt  
14 limitations prescribed in article IX, section 8.1, Constitution of Arizona.

15           E. No bonds authorized to be issued by an election held after July 1,  
16 1980 may be issued more than ~~six~~ TEN years after the date of the election,  
17 except that class A bonds shall not be issued after December 31, 1999.

18           F. Class A bond proceeds shall not be expended for items whose useful  
19 life is less than the average life of the bonds issued, except that bond  
20 proceeds shall not be expended for items whose useful life is less than five  
21 years.

22           G. Except as provided in subsection H of this section, class B bond  
23 proceeds shall not be expended for soft capital items, computer hardware, or  
24 other items whose useful life is less than the average useful life of the  
25 bonds issued, except that bond proceeds shall not be expended for items whose  
26 useful life is less than five years. For the purposes of this subsection,  
27 "computer hardware" means an electronic device with an integrated circuit  
28 that performs logic, arithmetic or memory functions by the manipulations of  
29 electronic or magnetic impulses and includes all input, output, processing,  
30 storage, software or communication facilities that are connected or related  
31 to such a device in a system or network.



1           H. Class B bond proceeds for a facility at a campus owned or operated  
2 and maintained by a joint technological education district may be expended  
3 for soft capital items, computer hardware, furniture or other equipment,  
4 except that no bonds may be issued for these purposes for a duration of more  
5 than five years. The total amount of bonds that a joint technological  
6 education district may issue pursuant to this subsection shall not exceed  
7 thirty per cent of the cost of the school facility, including monies received  
8 for the school facility pursuant to this section. A joint technological  
9 education district shall not spend class B bond proceeds to construct or  
10 renovate a facility located on the campus of a school in a school district  
11 that participates in the joint district unless the facility is only used to  
12 provide career and technical education and is available to all pupils who  
13 live within the joint technological education district. If the facility is  
14 not owned by the joint technological education district, an intergovernmental  
15 agreement or a written contract shall be executed for ten years or the  
16 duration of the bonded indebtedness, whichever is greater. The  
17 intergovernmental agreement or written contract shall include provisions:

18           1. That preserve the usage of the facility renovated or constructed,  
19 or both, only for career and technology programs operated by the joint  
20 technology education district.

21           2. That include the process to be used by the participating district  
22 to compensate the joint technology education district in the event that the  
23 facility is no longer used only for career and technology education programs  
24 offered by the joint technological education district during the life of the  
25 bond.

26           I. Notwithstanding subsections F and G of this section, bond proceeds  
27 may be expended for purchasing pupil transportation vehicles.

28           J. A school district shall not authorize, issue or sell bonds pursuant  
29 to this section if the school district has any existing indebtedness from  
30 impact aid revenue bonds pursuant to chapter 16, article 8 of this title,  
31 except for bonds issued to refund any bonds issued by the governing board."

32    Renumber to conform

1 Page 35, line 21, after "submitted" insert "ONCE EVERY TWO YEARS"

2 After line 42, insert:

3 "Sec. 19. Section 15-2031, Arizona Revised Statutes, is amended to  
4 read:

5 15-2031. Building renewal fund; definitions

6 A. A building renewal fund is established consisting of monies  
7 appropriated by the legislature. The school facilities board shall  
8 administer the fund and distribute monies to school districts for the purpose  
9 of maintaining the adequacy of existing school facilities. Monies in the  
10 fund are continuously appropriated and are exempt from the provisions of  
11 section 35-190 relating to lapsing of appropriations.

12 B. The school facilities board shall inventory and inspect all school  
13 buildings in this state in order to develop a database to administer the  
14 building renewal formula. The database shall include the student capacity of  
15 the building as determined by the school facilities board. The board shall  
16 distribute monies from the building renewal fund to school districts in an  
17 amount computed pursuant to subsection I of this section. A school district  
18 that receives monies from the building renewal fund shall use the monies  
19 first for any projects that fall below the minimum school facility adequacy  
20 guidelines, as adopted by the school facilities board pursuant to section  
21 15-2011, and that are part of any buildings in the database and second for  
22 any other projects that are part of any buildings owned by the school  
23 district for any of the following:

- 24 1. Major renovations and repairs of a building.
- 25 2. Upgrading systems and areas that will maintain or extend the useful  
26 life of the building.
- 27 3. Infrastructure costs.
- 28 4. Relocation and placement of portable and modular buildings.

29 C. Monies received from the building renewal fund shall be used for  
30 primary projects, unless only secondary projects exist.

31 D. Notwithstanding subsections B and C of this section, school  
32 districts shall use building renewal monies on secondary projects to comply

1 with building, health, fire or safety codes. Before spending building  
2 renewal monies on secondary projects to comply with building, health, fire or  
3 safety codes, the school facilities board shall approve the projects.

4 E. Monies received from the building renewal fund shall not be used  
5 for any of the following purposes:

6 1. New construction.

7 2. Remodeling interior space for aesthetic or preferential reasons.

8 3. Exterior beautification.

9 4. Demolition.

10 5. The purchase of soft capital items pursuant to section 15-962,  
11 subsection D.

12 6. Routine maintenance except as provided in section 15-2002,  
13 subsection K and subsection L of this section.

14 F. The school facilities board shall maintain the building renewal  
15 database and use the database for the computation of the building renewal  
16 formula distributions. The board shall ensure that the database is updated  
17 on at least an annual basis to reflect changes in the ages and value of  
18 school buildings. The facilities listed in the database shall include only  
19 those buildings that are owned by school districts that are required to meet  
20 academic standards. Each school district shall report to the school  
21 facilities board no later than September 1 of each year the number and type  
22 of school buildings owned by the district, the square footage of each  
23 building, the age of each building, the nature of any renovations completed  
24 and the cost of any renovations completed. The school facilities board may  
25 review or audit, or both, to confirm the information submitted by a school  
26 district. If a joint technological education district leases a building from  
27 a school district, that building shall not be included in the school  
28 district's square footage calculation for the purposes of determining the  
29 school district's building renewal distribution pursuant to this section.  
30 The board shall adjust the age of each school facility in the database  
31 whenever a building is significantly upgraded or remodeled. The age of a

1 building that has been significantly upgraded or remodeled shall be  
2 recomputed as follows:

3 1. Divide the cost of the renovation by the building capacity value of  
4 the building determined in subsection I, paragraph 3 of this section.

5 2. Multiply the quotient determined in paragraph 1 of this subsection  
6 by the currently listed age of the building in the database.

7 3. Subtract the product determined in paragraph 2 of this subsection  
8 from the currently listed age of the building in the database, rounded to the  
9 nearest whole number. If the result is negative, use zero.

10 G. The school facilities board shall submit an annual report to the  
11 president of the senate, the speaker of the house of representatives, the  
12 Arizona state library, archives and public records and the governor by  
13 October 1 that includes the computation of the amount of monies to be  
14 distributed from the building renewal fund for the current fiscal year. The  
15 joint committee on capital review shall review the school facilities board's  
16 calculation of the building renewal fund distributions. After the joint  
17 committee on capital review reviews the distributions computed by the school  
18 facilities board, the school facilities board shall distribute the monies  
19 from the building renewal fund to school districts in two equal installments  
20 in November and May of each year.

21 H. School districts that receive monies from the building renewal fund  
22 shall establish a district building renewal fund and shall use the monies in  
23 the district building renewal fund only for the purposes prescribed in  
24 subsection B of this section. Ending cash balances in a school district's  
25 building renewal fund may be used in following fiscal years for building  
26 renewal pursuant to subsection B of this section. By October 15 ~~of each year~~  
27 **ONCE EVERY TWO YEARS**, each school district shall report to the school  
28 facilities board the projects funded at each school in the previous **TWO**  
29 fiscal ~~year~~ **YEARS** with monies from the district building renewal fund,  
30 including the amount of expenditures dedicated to primary projects and to  
31 secondary projects. On receipt of these reports, the school facilities board  
32 shall forward this information to the joint legislative budget committee

1 staff and the governor's office of strategic planning and budgeting staff.  
2 Each school district shall also report **ONCE EVERY TWO YEARS** to the school  
3 facilities board an accounting of the monies remaining in the district  
4 building renewal fund at the end of the previous fiscal year and a  
5 comprehensive ~~three-year~~ plan that details the proposed use of building  
6 renewal monies. If a school district fails to submit the report by October  
7 15 **EVERY TWO YEARS**, the school facilities board shall withhold building  
8 renewal monies from the school district until the school facilities board  
9 determines that the school district has complied with the reporting  
10 requirement. When the school facilities board determines that the school  
11 district has complied with the reporting requirement, the school facilities  
12 board shall restore the full amount of withheld building renewal monies to  
13 the school district.

14 I. Notwithstanding any other provision of this chapter, if a school  
15 district converts space that is listed in the database maintained pursuant to  
16 this section to space that will be used for administrative purposes, the  
17 school district is responsible for any costs associated with the conversion,  
18 maintenance and replacement of that space. The building renewal amount for  
19 each school building shall be computed as follows:

20 1. Divide the age of the building as computed pursuant to subsection F  
21 of this section by one thousand two hundred seventy-five or, in the case of  
22 modular or portable buildings, by two hundred ten.

23 2. Multiply the quotient determined in paragraph 1 of this subsection  
24 by 0.67.

25 3. Determine the building capacity value as follows:

26 (a) Multiply the student capacity of the building by the per student  
27 square foot capacity established by section 15-2041.

28 (b) Multiply the product determined in subdivision (a) by the cost per  
29 square foot established by section 15-2041.

30 4. Multiply the product determined in paragraph 2 of this subsection  
31 by the product determined in paragraph 3, subdivision (b) of this subsection.

1           J. If the school facilities board determines that a school district  
2 has spent monies from the building renewal fund for purposes other than those  
3 prescribed in subsection B of this section, the school facilities board shall  
4 notify the superintendent of public instruction. Notwithstanding any other  
5 law, the superintendent of public instruction shall withhold a corresponding  
6 amount from the monies that would otherwise be due the school district under  
7 the capital outlay revenue limit until these monies are repaid.

8           K. Beginning on July 1, 2002, a school district is not entitled to  
9 receive monies from the building renewal fund for any buildings that are to  
10 be replaced with new buildings that are funded with deficiencies corrections  
11 monies. The replacement buildings are not eligible to receive building  
12 renewal funding until the fiscal year following the completion of the  
13 building.

14           L. Notwithstanding subsections B and E of this section, a school  
15 district may use eight per cent of the building renewal amount computed  
16 pursuant to subsection I of this section for routine preventative  
17 maintenance. The board, after consultation with maintenance specialists in  
18 school districts, shall provide examples of recommended services that are  
19 routine preventative maintenance.

20           M. A school district that uses building renewal monies for routine  
21 preventative maintenance shall use the building renewal monies to supplement  
22 and not supplant expenditures from other funds for the maintenance of school  
23 buildings. The auditor general shall prescribe a method for determining  
24 compliance with the requirements of this subsection. A school district, in  
25 connection with any audit conducted by a certified public accountant, shall  
26 also contract for an independent audit to determine whether the school  
27 district used building renewal monies to reduce the school district's  
28 existing level of routine preventative maintenance funding. The auditor  
29 general may conduct discretionary reviews of a school district that is not  
30 required to contract for an independent audit.

31           N. For the purposes of this section:

1           1. "Primary projects" means projects that are necessary for buildings  
2 owned by school districts that are required to meet the academic standards  
3 listed in the database maintained pursuant to subsection F of this section  
4 and that fall below the minimum school facility adequacy guidelines, as  
5 adopted by the school facilities board pursuant to section 15-2011.

6           2. "Routine preventative maintenance" means services that are  
7 performed on a regular schedule at intervals ranging from four times a year  
8 to once every three years and that are intended to extend the useful life of  
9 a building system and reduce the need for major repairs.

10          3. "Secondary projects" means all projects that are not primary  
11 projects.

12          4. "Student capacity" has the same meaning prescribed in section  
13 15-2011.

14          Sec. 20. Repeal

15          Title 15, chapter 17, Arizona Revised Statutes, is repealed."

16 Renumber to conform

17 Page 36, between lines 9 and 10, insert:

18          "Sec. 22. Section 38-766.01, Arizona Revised Statutes, is amended to  
19 read:

20          38-766.01. Retired members; return to work

21          A. Notwithstanding section 38-766, a retired member may return to work  
22 and still be eligible to receive retirement benefits if all of the following  
23 requirements are satisfied:

24           1. The retired member has attained the member's normal retirement age.

25           2. The retired member terminated employment at least twelve months  
26 before returning to work.

27           3. If the retired member returns to work as a teacher, the retired  
28 member is working as a certificated teacher.

29           4. If the retired member returns to work as a teacher, the retired  
30 member's employment is not subject to the requirements prescribed in sections  
31 15-536, 15-538, 15-538.01 and 15-539 through 15-543.

1           5. The retired member acknowledges in writing the provisions of this  
2 section.

3           B. An employer of a retired member who returns to work pursuant to  
4 this section shall not pay contributions on behalf of the retired member  
5 pursuant to section 38-736, 38-737 or 38-797.05. A retired member who  
6 returns to work pursuant to this section does not accrue credited service,  
7 retirement benefits or long-term disability program benefits pursuant to  
8 article 2.1 of this chapter for the period the retired member returns to  
9 work."

- 10 Renumber to conform
- 11 Page 39, strike lines 29 and 30
- 12 Page 42, strike lines 7 and 8
- 13 Amend title to conform

and, as so amended, it do pass

RICH CRANDALL  
Chairman

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