

Senate Engrossed House Bill

K-12 education; budget reconciliation; 2021-2022.

State of Arizona
House of Representatives
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 404

HOUSE BILL 2898

AN ACT

AMENDING SECTIONS 5-568, 15-119, 15-181 AND 15-185, ARIZONA REVISED STATUTES; AMENDING SECTION 15-203, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 2, SECTION 2; AMENDING SECTIONS 15-213.01 AND 15-213.03, ARIZONA REVISED STATUTES; REPEALING SECTION 15-240, ARIZONA REVISED STATUTES; AMENDING SECTION 15-251, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 2, SECTION 3; AMENDING SECTIONS 15-341 AND 15-342, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 3, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-342.05; AMENDING SECTION 15-350, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 2, SECTION 4; AMENDING SECTIONS 15-393, 15-393.01, 15-481 AND 15-491, ARIZONA REVISED STATUTES; AMENDING SECTION 15-505, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2021, CHAPTER 2, SECTION 5; AMENDING SECTION 15-512, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 2, SECTION 6; AMENDING SECTION 15-514, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 2, SECTION 7; AMENDING TITLE 15, CHAPTER 7, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 15-711.01 AND 15-717.02; AMENDING SECTION 15-746, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 7, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-747; AMENDING SECTIONS 15-774, 15-816, 15-816.01 AND 15-901, ARIZONA REVISED STATUTES; AMENDING SECTION 15-901.08, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2021, CHAPTER 299, SECTION 4; AMENDING SECTIONS 15-907 AND 15-911, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 9, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-924; AMENDING SECTIONS 15-943, 15-945, 15-964, 15-973, 15-995, 15-996, 15-1021, 15-1043 AND 15-1107, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 13; AMENDING TITLE 15, CHAPTER 10.1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1286; AMENDING SECTION 15-1304, ARIZONA REVISED STATUTES; REPEALING SECTION 15-2003, ARIZONA REVISED STATUTES; PROVIDING FOR TRANSFERRING AND RENUMBERING; AMENDING SECTIONS 15-2401, 15-2402, 15-2403, 35-185.01, 35-212, 35-313, 37-221, 37-521, 41-1092.02, 41-1276, 41-1750, 41-2632, 41-3022.18 AND 41-3026.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 56, ARTICLE 1, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED, BY ADDING SECTIONS 41-5701 AND 41-5701.01; AMENDING SECTIONS 41-5701.02, 41-5702, 41-5703, 41-5704, 41-5705, 41-5711, 41-5721, 41-5731, 41-5741, 41-5751, 41-5752, 41-5753, 41-5754, 41-5755, 41-5757, 41-5758, 41-5759, 41-5760, 41-5761, 41-5763, 41-5764, 41-5781, 41-5782, 41-5783, 41-5784, 41-5785, 41-5787, 41-5788, 41-5789, 41-5790, 41-5791, 41-5793, 41-5794, 41-5805, 41-5810, 41-5832, 41-5841, 41-5851, 41-5853, 41-5854, 41-5857 AND 41-5858, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED; AMENDING SECTIONS 42-5030.01 AND 43-1089.02, ARIZONA REVISED STATUTES; AMENDING LAWS 2020, CHAPTER 26, SECTION 1;

APPROPRIATING MONIES; RELATING TO KINDERGARTEN THROUGH GRADE TWELVE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 5-568, Arizona Revised Statutes, is amended to read:

5-568. Disposition of unclaimed prize money

Unclaimed prize money for the prize on a winning ticket or share shall be retained for the person entitled to the prize for one hundred eighty days after the drawing in which the prize was won in the case of a drawing prize and for one hundred eighty days after the announced end of the game in question in the case of a prize determined in any manner other than by means of a drawing. If a claim is not made for the money within the applicable period, the money shall be transferred in the following amounts:

1. Fifty-five percent of the prize money shall be held in the state lottery prize fund for use as additional prizes in future games, except that if the amount of monies transferred by the commission pursuant to section 5-554, subsection H, paragraph 1 is less than ~~nine hundred thousand dollars~~ \$900,000 each fiscal year, the difference shall be transferred to the internet crimes against children enforcement fund established by section 41-199 and if the amount of monies transferred by the commission pursuant to section 5-554, subsection H, paragraph 2 is less than ~~one hundred thousand dollars~~ \$100,000 each fiscal year, the difference shall be transferred to the victims' rights enforcement fund established by section 41-1727.

2. Thirty percent shall be transferred quarterly to the court appointed special advocate fund established by section 8-524.

3. Fifteen percent shall be transferred monthly to the tribal college dual enrollment program fund established by section 15-244.01. The amount transferred may not exceed ~~two hundred fifty thousand dollars~~ \$325,000 in any fiscal year.

Sec. 2. Section 15-119, Arizona Revised Statutes, is amended to read:

15-119. Vacant and partially used buildings; list; sale or lease; equipment; definitions

A. The ~~DIVISION OF~~ school facilities ~~board, in conjunction with~~ WITHIN the department of administration, shall annually publish a list of vacant buildings and partially used buildings that are owned by this state or by school districts in this state and that may be suitable for the operation of a school. The ~~DIVISION OF~~ school facilities ~~board~~ shall make the list publicly available on the website of the ~~DIVISION OF~~ school facilities ~~board~~ and on request to applicants for charter schools, to applicants applying to the ~~DIVISION OF~~ school facilities ~~board~~ for additional space and to existing district and charter schools. The list shall include the address of each building, a short description of the building, the name of the owner of the building and any other pertinent information related to the vacancy and capacity of the building. The ~~DIVISION OF~~ school facilities ~~board~~ shall annually submit the list to the governor, the president of the senate and the speaker of the house of representatives and provide a copy of the list to the secretary of state and the state board for charter schools.

B. If a school district decides to sell or lease a vacant building or partially used building, the school district may not prohibit a charter school or a private school from negotiating to buy or lease the property in the same manner as other potential buyers or lessees. A school district may not accept an offer for the sale or lease of the vacant building or partially used building from a potential buyer or lessee that is less than an offer from a charter school or private school. This section does not require the owner of a building on the list to sell or lease the building or a portion of the building to a charter school, to any other school or to any other prospective buyer or tenant, except that the owner of a building on the list may not withdraw the property from sale or lease solely because a charter school or private school is the highest bidder. At the conclusion of a lease for an existing tenant that is a public school or that is providing services to public school students, the lease may be terminated, renewed according to the terms of the existing agreement, or renewed with a negotiated increase. The building owner must provide the rationale for a proposed increase to the lessee, which may include considerations for the percentage of revenue that should be dedicated to educational facilities, inflators related to student enrollment increases or the annual GDP price deflator as defined in section 41-563, or expenses for building and parking lot maintenance and upgrades.

C. A school district may sell used equipment to a charter school or private school before the school district attempts to sell or dispose of the equipment by other means.

D. Buildings that are used for career and technical education, special education services, preschool programs, schools that have been open for ~~less~~ FEWER than five years or magnet schools are not considered partially used buildings for the purposes of this section, except that ~~these exemptions~~ THIS EXEMPTION may not be applied to more than twenty-five percent of a district's school buildings.

E. For the purposes of this section:

1. "Partially used building" means a building with at least four thousand five hundred square feet of contiguous, unused space.

2. "Vacant building" means a building that has been vacant and unused for at least two years.

Sec. 3. Section 15-181, Arizona Revised Statutes, is amended to read:

15-181. Charter schools; purpose; scope

A. Charter schools may be established pursuant to this article to provide a learning environment that will improve pupil achievement. Charter schools provide additional academic choices for parents and pupils. Charter schools may consist of new schools or all or any portion of an existing school. Charter schools are public schools that serve as alternatives to traditional public schools and charter schools are not subject to the requirements of article XI, section 1, Constitution of Arizona, or ~~TITLE 41, chapter 16 of this title~~ 56.

B. Charter schools shall comply with all provisions of this article in order to receive state funding as prescribed in section 15-185.

Sec. 4. Section 15-185, Arizona Revised Statutes, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

2. Notwithstanding paragraph 1 of this subsection, the student count shall be determined initially using an estimated student count based on actual registration of pupils before the beginning of the school year. Notwithstanding section 15-1042, subsection F, student level data submitted to the department may be used to determine estimated student counts. After the first forty days, one hundred days or two hundred days in session, as applicable, the charter school shall revise the student count to be equal to the actual average daily membership, as defined in section 15-901, of the charter school. Before the fortieth day, one hundredth day or two hundredth day in session, as applicable, the state board of education, the state board for charter schools, the sponsoring university, the sponsoring community college district or the sponsoring group of community college districts may require a charter school to report periodically regarding pupil enrollment and attendance, and the department of education may revise its computation of equalization assistance based on the report. A charter school shall revise its student count, base support level and charter additional assistance before May 15. A charter school that overestimated its student count shall revise its budget before May 15. A charter school that underestimated its student count may revise its budget before May 15.

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

4. Equalization assistance for the charter school shall be determined by adding the amount of the base support level and charter additional assistance. The amount of the charter additional assistance is ~~\$1,875.21~~ **\$1,897.90** per student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and ~~\$2,185.53~~ **\$2,211.97** per student count in grades nine through twelve.

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

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

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

C. If a pupil is enrolled in both a charter school and a public school that is not a charter school, the sum of the daily membership, which includes enrollment as prescribed in section 15-901, subsection A, paragraph 1, subdivisions (a) and (b) and daily attendance as prescribed in section 15-901, subsection A, paragraph 5, for that pupil in the school district and the charter school shall not exceed 1.0. If a pupil is enrolled in both a charter school and a public school that is not a charter school, the department of education shall direct the average daily membership to the school with the most recent enrollment date. On validation of actual enrollment in both a charter school and a public school that is not a charter school and if the sum of the daily membership or daily

attendance for that pupil is greater than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between the public school and the charter school based on the percentage of total time that the pupil is enrolled or in attendance in the public school and the charter school. The uniform system of financial records shall include guidelines to apportion the pupil enrollment and attendance as provided in this section.

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

1. Equalization assistance shall not be less than zero.

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

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

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

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

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

I. In addition to the withholding of state aid payments pursuant to subsection H of this section, the sponsor of a charter school may impose a civil penalty of \$1,000 per occurrence if a charter school fails to comply with the fingerprinting requirements prescribed in section 15-183, subsection C or section 15-512. The sponsor of a charter school shall not impose a civil penalty if it is the first time the charter school is out of compliance with the fingerprinting requirements and if the charter school provides proof within forty-eight hours ~~of~~ **AFTER** written notification that an application for the appropriate fingerprint check has been received by the department of public safety. The sponsor of the charter school shall obtain proof that the charter school has been notified, and the notification shall identify the date of the deadline and shall be signed by both parties. The sponsor of a charter school shall automatically impose a civil penalty of \$1,000 per occurrence if the sponsor determines that the charter school subsequently violates the fingerprinting requirements. Civil penalties pursuant to this subsection shall be assessed by requesting the department of education to reduce the amount of state aid that the charter school would otherwise receive by an amount equal to the civil penalty. The amount of state aid withheld shall revert to the state general fund at the end of the fiscal year.

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

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

L. Notwithstanding any other law, a university under the jurisdiction of the Arizona board of regents, a community college district or a group of community college districts shall not include any student in the student count of the university, community college district or group of community college districts for state funding

purposes if that student is enrolled in and attending a charter school sponsored by the university, community college district or group of community college districts.

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

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

O. If **permitted ALLOWED** by federal law, a charter school may opt out of federal grant opportunities if the charter holder or the appropriate governing body of the charter school determines that the federal requirements impose unduly burdensome reporting requirements.

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

Sec. 5. Section 15-203, Arizona Revised Statutes, as amended by Laws 2021, chapter 2, section 2, is amended to read:

15-203. Powers and duties; definition

A. The state board of education shall:

1. Exercise general supervision over and regulate the conduct of the public school system and adopt any rules and policies it deems necessary to accomplish this purpose.
2. Keep a record of its proceedings.
3. Make rules for its own government.
4. Determine the policy and work undertaken by it.
5. Subject to title 41, chapter 4, article 4, employ staff.
6. Prescribe and supervise the duties of its employees pursuant to title 41, chapter 4, article 4, if not otherwise prescribed by statute.
7. Delegate to the superintendent of public instruction the execution of board policies and rules.
8. Recommend to the legislature changes or additions to the statutes pertaining to schools.
9. Prepare, publish and distribute reports concerning the educational welfare of this state.
10. Prepare a budget for expenditures necessary for proper maintenance of the board and accomplishment of its purposes and present the budget to the legislature.
11. Aid in the enforcement of laws relating to schools.
12. Prescribe a minimum course of study in the common schools, minimum competency requirements for the promotion of pupils from the third grade and minimum course of study and competency requirements for the promotion of pupils from the eighth grade. The state board of education shall prepare a fiscal impact statement of any proposed changes to the minimum course of study or competency requirements and, on completion, shall send a copy to the director of the joint legislative budget committee and the **executive** director of the school facilities **board DIVISION WITHIN THE DEPARTMENT OF ADMINISTRATION**. The state board of education shall not adopt any changes in the minimum course of study or competency requirements in effect on July 1, 1998 that will have a fiscal impact on school capital costs.
13. Prescribe minimum course of study and competency requirements for the graduation of pupils from high school. The state board of education shall prepare a fiscal impact statement of any proposed changes to the minimum course of study or competency requirements and, on completion, shall send a copy to the director of the joint legislative budget committee and the **executive** director of the school facilities **board DIVISION WITHIN THE DEPARTMENT OF ADMINISTRATION**. The state board of education shall not adopt any changes in the minimum course of study or competency requirements in effect on July 1, 1998 that will have a fiscal impact on school capital costs.
14. Pursuant to section 15-501.01, supervise and control the certification of persons engaged in instructional work directly as any classroom, laboratory or other teacher or indirectly as a supervisory teacher, speech therapist, principal or superintendent in a school district, including school district preschool programs, or any other educational institution below the community college, college or university level, and prescribe rules for certification.
15. Adopt a list of approved tests for determining special education assistance to gifted pupils as defined in and as provided in chapter 7, article 4.1 of this title. The adopted tests shall provide separate scores for quantitative reasoning, verbal reasoning and nonverbal reasoning and shall be capable of providing reliable and valid scores at the highest ranges of the score distribution.
16. Adopt rules governing the methods for the administration of all proficiency examinations.
17. Adopt proficiency examinations for its use and determine the passing score for the proficiency examinations.

18. Include within its budget the cost of contracting for the purchase, distribution and scoring of the examinations as provided in paragraphs 16 and 17 of this subsection.

19. Supervise and control the qualifications of professional nonteaching school personnel and prescribe standards relating to qualifications. The standards shall not require the business manager of a school district to obtain certification from the state board of education.

20. Impose such disciplinary action, including disciplinary action pursuant to section 15-505 or the issuance of a letter of censure, suspension, suspension with conditions or revocation of a certificate, on a finding of immoral or unprofessional conduct.

21. Establish an assessment, data gathering and reporting system for pupil performance as prescribed in chapter 7, article 3 of this title, including qualifying examinations for the college credit by examination incentive program pursuant to section 15-249.06.

22. Adopt a rule to promote braille literacy pursuant to section 15-214.

23. Adopt rules prescribing procedures for ~~the investigation by~~ the ~~department~~ STATE BOARD of education ~~of~~ TO INVESTIGATE every written complaint alleging that a certificated person, a person seeking certification or a noncertificated person has engaged in immoral or unprofessional conduct.

24. For purposes of federal law, serve as the state board for vocational and technological education and meet at least four times each year solely to execute the powers and duties of the state board for vocational and technological education.

25. Develop and maintain a handbook for use in the schools of this state that provides guidance for the teaching of moral, civic and ethical education. The handbook shall promote existing curriculum frameworks and shall encourage school districts to recognize moral, civic and ethical values within instructional and programmatic educational development programs for the general purpose of instilling character and ethical principles in pupils in kindergarten programs and grades one through twelve.

26. Require pupils to recite the following passage from the declaration of independence for pupils in grades four through six at the commencement of the first class of the day in the schools, except that a pupil shall not be required to participate if the pupil or the pupil's parent or guardian objects:

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. . . .

27. Adopt rules that provide for certification reciprocity pursuant to section 15-501.01.

28. Adopt rules that provide for the presentation of an honorary high school diploma to a person who has never obtained a high school diploma and who meets both of the following requirements:

(a) Currently resides in this state.

(b) Provides documented evidence from the department of veterans' services that the person enlisted in the armed forces of the United States and served in World War I, World War II, the Korean conflict or the Vietnam conflict.

29. Cooperate with the Arizona-Mexico commission in the governor's office and with researchers at universities in this state to collect data and conduct projects in the United States and Mexico on issues that are within the scope of the duties of the department of education and that relate to quality of life, trade and economic development in this state in a manner that will help the Arizona-Mexico commission to assess and enhance the economic competitiveness of this state and of the Arizona-Mexico region.

30. Adopt rules to define and provide guidance to schools as to the activities that would constitute immoral or unprofessional conduct of certificated and noncertificated persons.

31. Adopt guidelines to encourage pupils in grades nine, ten, eleven and twelve to volunteer for twenty hours of community service before graduation from high school. A school district that complies with the guidelines adopted pursuant to this paragraph is not liable for damages resulting from a pupil's participation in community service unless the school district is found to have demonstrated wanton or reckless disregard for the safety of the pupil and other participants in community service. For the purposes of this paragraph, "community service" may include service learning. The guidelines shall include the following:

(a) A list of the general categories in which community service may be performed.

(b) A description of the methods by which community service will be monitored.

(c) A consideration of risk assessment for community service projects.

(d) Orientation and notification procedures of community service opportunities for pupils entering grade nine, including the development of a notification form. The notification form shall be signed by the pupil and the pupil's parent or guardian, except that a pupil shall not be required to participate in community service if the parent or guardian notifies the principal of the pupil's school in writing that the parent or guardian does not wish the pupil to participate in community service.

(e) Procedures for a pupil in grade nine to prepare a written proposal that outlines the type of community service that the pupil would like to perform and the goals that the pupil hopes to achieve as a result of community service. The pupil's written proposal shall be reviewed by a faculty advisor, a guidance counselor or any other school employee who is designated as the community service program coordinator for that school. The pupil may alter the written proposal at any time before performing community service.

(f) Procedures for a faculty advisor, a guidance counselor or any other school employee who is designated as the community service program coordinator to evaluate and certify the completion of community service performed by pupils.

32. To facilitate the transfer of military personnel and their dependents to and from the public schools of this state, pursue, in cooperation with the Arizona board of regents, reciprocity agreements with other states concerning the transfer credits for military personnel and their dependents. A reciprocity agreement entered into pursuant to this paragraph shall:

(a) Address procedures for each of the following:

(i) The transfer of student records.

(ii) Awarding credit for completed coursework.

(iii) **Permitting ALLOWING** a student to satisfy the graduation requirements prescribed in section 15-701.01 through the successful performance on comparable exit-level assessment instruments administered in another state.

(b) Include appropriate criteria developed by the state board of education and the Arizona board of regents.

33. Adopt guidelines that school district governing boards shall use in identifying pupils who are eligible for gifted programs and in providing gifted education programs and services. The state board of education shall adopt any other guidelines and rules that it deems necessary in order to carry out the purposes of chapter 7, article 4.1 of this title.

34. For each of the alternative textbook formats of human-voiced audio, large-print and braille, designate alternative media producers to adapt existing standard print textbooks or to provide specialized textbooks, or both, for pupils with disabilities in this state. Each alternative media producer shall be capable of producing alternative textbooks in all relevant subjects in at least one of the alternative textbook formats. The board shall post the designated list of alternative media producers on its website.

35. Adopt a list of approved professional development training providers for use by school districts as provided in section 15-107, subsection J. The professional development training providers shall meet the training curriculum requirements determined by the state board of education in at least the areas of school finance, governance, employment, staffing, inventory and human resources, internal controls and procurement.

36. Adopt rules to prohibit a person who violates the notification requirements prescribed in section 15-183, subsection C, paragraph 8 or section 15-550, subsection D from certification pursuant to this title until the person is no longer charged or is acquitted of any offenses listed in section 41-1758.03, subsection B. The state board shall also adopt rules to prohibit a person who violates the notification requirements, certification surrender requirements or fingerprint clearance card surrender requirements prescribed in section 15-183, subsection C, paragraph 9 or section 15-550, subsection E from certification pursuant to this title for at least ten years after the date of the violation.

37. Adopt rules for the alternative certification of teachers of nontraditional foreign languages that allow for the passing of a nationally accredited test to substitute for the education coursework required for certification.

38. Adopt rules to define competency-based educational pathways for college and career readiness that may be used by schools. The rules shall include the following components:

(a) The establishment of learning outcomes that will be expected for students in a particular subject.

(b) A process and criteria by which assessments may be identified or established to determine whether students have reached the desired competencies in a particular subject.

(c) A mechanism to allow pupils in grades seven through twelve who have demonstrated competency in a subject to immediately obtain credit for the mastery of that subject. The rules shall include a list of applicable subjects, including the level of competency required for each subject.

39. In consultation with the department of health services, the department of education, medical professionals, school health professionals, school administrators and an organization that represents school nurses in this state, adopt rules that prescribe the following for school districts and charter schools:

(a) Annual training in the administration of auto-injectable epinephrine for designated medical and nonmedical school personnel. The annual training prescribed in this subdivision is optional during any fiscal year in which a school does not stock epinephrine auto-injectors at the school during that fiscal year.

(b) Annual training for all school site personnel on the recognition of anaphylactic shock symptoms and the procedures to follow when anaphylactic shock occurs, following the national guidelines of the American academy of pediatrics. The annual training prescribed in this subdivision is optional during any fiscal year in which a school does not stock epinephrine auto-injectors at the school during that fiscal year.

(c) Procedures for the administration of epinephrine auto-injectors in emergency situations.

(d) Procedures for annually requesting a standing order for epinephrine auto-injectors pursuant to section 15-157 from the chief medical officer of the department of health services, the chief medical officer of a county health department, a doctor of medicine licensed pursuant to title 32, chapter 13 or a doctor of osteopathic medicine licensed pursuant to title 32, chapter 17.

(e) Procedures for reporting the use of epinephrine auto-injectors to the department of health services.

40. In consultation with the department of education, medical professionals, school health professionals, school administrators and an organization that represents school nurses in this state, adopt rules that prescribe the following for school districts and charter schools that elect to administer inhalers:

(a) Annual training in the recognition of respiratory distress symptoms and the procedures to follow when respiratory distress occurs, in accordance with good clinical practice, and the administration of inhalers, as directed on the prescription protocol, by designated medical and nonmedical school personnel.

(b) Requirements for school districts and charter schools that elect to administer inhalers to designate at least two employees at each school to be trained in the recognition of respiratory distress symptoms and the procedures to follow when respiratory distress occurs, in accordance with good clinical practice, and at least two employees at each school to be trained in the administration of inhalers, as directed on the prescription protocol.

(c) Procedures for the administration of inhalers in emergency situations, as directed on the prescription protocol.

(d) Procedures for annually requesting a standing order for inhalers and spacers or holding chambers pursuant to section 15-158 from the chief medical officer of a county health department, a physician licensed pursuant to title 32, chapter 13 or 17 or a nurse practitioner licensed pursuant to title 32, chapter 15.

(e) Procedures for notifying a parent once an inhaler has been administered.

41. Adopt rules for certification that allow substitute teachers who can demonstrate primary teaching responsibility in a classroom as defined by the state board of education to use the time spent in that classroom toward the required capstone experience for standard teaching certification.

42. For the purposes of Sandra Day O'Connor civics celebration day instruction under section 15-710.01, develop a list of recommended resources relating to civics education that align with the academic standards prescribed by the state board of education in social studies pursuant to sections 15-701 and 15-701.01. The state board shall establish a process that allows public schools to recommend resources for addition to the list.

43. DIRECT AND OVERSEE THE WORK OF ALL INVESTIGATORS RELATED TO INVESTIGATING CERTIFICATED PERSONS, PERSONS SEEKING CERTIFICATION AND NONCERTIFICATED PERSONS FOR IMMORAL OR UNPROFESSIONAL CONDUCT UNDER THIS TITLE AND RULES ADOPTED PURSUANT TO THIS TITLE. THE INVESTIGATORS SHALL BE HOUSED WITHIN AND ARE EMPLOYEES OF THE STATE BOARD OF EDUCATION.

B. The state board of education may:

1. Contract.

2. Sue and be sued.

3. Distribute and score the tests prescribed in chapter 7, article 3 of this title.

4. Provide for an advisory committee or hearing officers to conduct hearings and screenings to determine whether grounds exist to impose disciplinary action against a certificated person, whether grounds exist to reinstate a revoked or surrendered certificate, whether grounds exist to approve or deny an initial application for certification or a request for renewal of a certificate and whether grounds exist to impose or lift disciplinary action against a noncertificated person. The board may delegate its responsibility to conduct hearings and screenings to its advisory committee or hearing officers. Hearings shall be conducted pursuant to title 41, chapter 6, article 6.

5. Proceed with the disposal of any complaint requesting disciplinary action against a noncertificated person after the board has imposed disciplinary action pursuant to section 15-505 or **AGAINST** a person holding a certificate as prescribed in subsection A, paragraph 14 of this section after the suspension or expiration of the certificate or surrender of the certificate by the holder.

6. Assess costs and reasonable attorney fees against a person who files a frivolous complaint or who files a complaint in bad faith. Costs assessed pursuant to this paragraph shall not exceed the expenses incurred by the **department** **STATE BOARD** of education in the investigation of the complaint.

7. ISSUE SUBPOENAS TO COMPEL THE ATTENDANCE AND TESTIMONY OF WITNESSES AND PRODUCTION OF DOCUMENTS OR ANY PHYSICAL EVIDENCE IN CONNECTION WITH AN INVESTIGATION OR HEARING OF AN ALLEGATION THAT A CERTIFICATED PERSON, A PERSON SEEKING CERTIFICATION OR A NONCERTIFICATED PERSON HAS ENGAGED IN IMMORAL OR UNPROFESSIONAL CONDUCT. IF A SUBPOENA ISSUED BY THE BOARD IS DISOBEYED, THE BOARD MAY PETITION THE SUPERIOR COURT TO ENFORCE THE SUBPOENA. ANY FAILURE TO OBEY AN ORDER OF THE COURT PURSUANT TO THIS PARAGRAPH MAY BE PUNISHED BY THE COURT AS CONTEMPT.

C. For the purposes of this section, "noncertificated person" has the same meaning prescribed in section 15-505.

Sec. 6. Section 15-213.01, Arizona Revised Statutes, is amended to read:

15-213.01. Procurement practices; guaranteed energy cost savings contracts; definitions

A. Notwithstanding section 15-213, subsection A, a school district may contract for the procurement of a guaranteed energy cost savings contract with a qualified provider through a competitive sealed proposal process as provided by the procurement practices adopted by the state board of education.

B. A school district may enter into a guaranteed energy cost savings contract with a qualified provider if it determines that the energy savings project pays for itself within the expected life, according to the

manufacturer's equipment standards, of the energy cost savings measures implemented, the term of the financial agreement or twenty-five years, whichever is shortest, if the recommendations in the proposal are followed. The school district shall retain the cost savings achieved by a guaranteed energy cost savings contract, and these cost savings may be used to pay for the contract and project implementation.

C. The school district shall use objective criteria in selecting the qualified provider, including the cost of the contract, the energy cost savings, the net projected energy savings, the quality of the technical approach, the quality of the project management plan, the financial solvency of the qualified provider and the experience of the qualified provider with projects of similar size and scope. The school district shall set forth each criterion with its respective numerical weighting in the request for proposal.

D. In selecting a contractor to perform any construction work related to performing the guaranteed energy cost savings contract, the qualified provider may develop and use a prequalification process for contractors. These prequalifications may require the contractor to demonstrate that the contractor is adequately bonded to perform the work and that the contractor has not failed to perform on a prior job.

E. A study shall be performed by the selected qualified provider in order to establish the exact scope of the guaranteed energy cost savings contract, the fixed cost savings guarantee amount and the methodology for determining actual savings. This report shall be reviewed and approved by the school district before the actual installation of any equipment. The qualified provider shall transmit a copy of the approved study to the **DIVISION OF school facilities board WITHIN THE DEPARTMENT OF ADMINISTRATION** and the governor's office **of energy policy**.

F. The guaranteed energy cost savings contract shall require that, in determining whether the projected energy savings calculations have been met, the energy savings shall be computed by comparing the energy baseline before installation or implementation of the energy cost savings measures with the energy consumed after installation or implementation of the energy cost savings measures. The qualified provider and the school district may agree to make modifications to the energy baseline only for any of the following:

1. Changes in utility rates.
2. Changes in the number of days in the utility billing cycle.
3. Changes in the square footage of the facility.
4. Changes in the operational schedule of the facility.
5. Changes in facility temperature.
6. Significant changes in the weather.
7. Significant changes in the amount of equipment or lighting used in the facility.
8. Significant changes in the nature or intensity of energy use, such as the change of classroom space to laboratory space.

G. The information to develop the energy baseline shall be derived from historical energy costs or actual energy measurements or shall be calculated from energy measurements at the facility where energy cost savings measures are to be installed or implemented. The baseline shall be established before the installation or implementation of energy cost savings measures.

H. At the qualified provider's expense, the proposal shall include an independent third-party validation of cost savings calculations associated with each proposed energy cost savings measure by a licensed, registered professional engineer, with credentials from the national association of energy engineers, who has demonstrated experience in energy analysis. The school district must approve the selection of the credentialed engineer.

I. A school district, or two or more school districts, may enter into a financing agreement with a qualified provider or the financial institution, trustee or paying agent for the purchase and installation or implementation of energy cost savings measures. The guaranteed energy cost savings contract may provide for payments over a period of not more than the expected life, according to the manufacturer's equipment standards, of the energy cost savings measures implemented, the term of the financial agreement or twenty-five years, whichever is shortest. The contract shall provide that all payments, except obligations on termination of the contract before its expiration, shall be made pursuant to the terms of the financing agreement. If a school district purchases the energy cost savings measure, the qualified provider shall guarantee that the energy cost savings meet or exceed the school district's total cost of the energy savings project purchase.

J. The guaranteed energy cost savings contract shall include a written guarantee of the qualified provider that the energy savings will meet or exceed the costs of the energy cost savings measures over the expected life, according to the manufacturer's equipment standards, of the energy cost savings measures implemented, the term of the financial agreement or twenty-five years, whichever is shortest. The qualified provider shall:

1. For the term of the guaranteed energy cost savings contract, prepare a measurement and verification report on an annual basis in addition to an annual reconciliation of savings.
2. Reimburse the school district for any shortfall of guaranteed energy cost savings on an annual basis.
3. Use the international performance and measurement and verification protocol standards or the federal energy management program standards to validate the savings guarantee.

K. The school district may obtain any required financing as part of the original competitive sealed proposal process from the qualified provider or a third-party financing institution.

L. A qualified provider that is awarded the contract shall give a sufficient bond to the school district for its faithful performance of the equipment installment.

M. The qualified provider is required to make public the information in the subcontractor's bids only if the qualified provider is awarded the guaranteed energy cost savings contract by the school district.

N. For all projects carried out under this section, the district shall report to the governor's office of energy policy:

1. The name of the project.
2. The name of the qualified provider.
3. The total cost of the project.
4. The expected energy cost savings and relevant escalators.
5. The agreed-on baseline in the measurement and verification agreement in both kilowatt hours and dollars.

O. This section does not apply to the construction of new buildings.

P. A school district may use a simplified energy performance contract for projects that are less than ~~five hundred thousand dollars~~ \$500,000. Simplified energy performance contracts are not required to include an energy savings guarantee and shall comply with all requirements in this section except for the requirements that are specifically related to the energy savings guarantee and the measurement and verification of the guaranteed savings.

Q. For the purposes of this section:

1. "Construction" means the process of building, altering, repairing, improving or demolishing any school district structure or building, or other public improvements of any kind to any school district real property. Construction does not include the routine operation, routine repair or routine maintenance of existing structures, buildings or real property.

2. "Energy baseline" means a calculation of the amount of energy used in an existing facility before the installation or implementation of the energy cost savings measures.

3. "Energy cost savings measure" means a training program or facility alteration designed to reduce energy consumption and may include one or more of the following, and any related meters or other measuring devices:

- (a) Insulating the building structure or systems in the building.
- (b) Storm windows or doors, caulking or weather stripping, multiglazed windows or door systems, additional glazing, reductions in glass area, or other window and door system modifications that reduce energy consumption.
- (c) Automated or computerized energy control systems.
- (d) Heating, ventilating or air conditioning system modifications or replacements, including geothermal.
- (e) Replacing or modifying lighting fixtures to increase the energy efficiency of the lighting system without increasing the overall illumination of a facility unless an increase in illumination is necessary to conform to the applicable state or local building code for the lighting system after the proposed modifications are made.
- (f) Indoor air quality improvements to increase air quality that conform to the applicable state or local building code requirements.
- (g) Energy recovery systems.
- (h) Installing a new or retrofitting an existing day lighting system.
- (i) Procurement of low-cost utility supplies of all types, including electricity, natural gas, propane and water.
- (j) Devices that reduce water consumption and water costs or that reduce sewer charges.
- (k) Rainwater harvesting systems.
- (l) Combined heat and power systems.
- (m) Renewable and alternative energy projects and renewable energy power service agreements.
- (n) Self-generation systems.
- (o) Any additional building systems and infrastructure that produce energy, or that provide utility cost savings not specifically mentioned in this paragraph, if the improvements meet the life-cycle cost requirement and enhance building system performance or occupant comfort and safety, excluding those systems that fall under section 15-213.02.
- (p) Geothermal.

4. "Guaranteed energy cost savings contract" means a contract for implementing one or more energy cost savings measures.

5. "Life-cycle cost" means the sum of present values of investment costs, capital costs, installation costs, energy costs, operating costs, maintenance costs and disposal costs and utility rebates over the life of the project, product or measure as provided by federal life-cycle cost rules, regulations and criteria contained in the United States department of energy federal energy management program "guidance on life-cycle cost analysis" required by executive order 13423, January 2007.

6. "Qualified provider" means a person or a business that is experienced in designing, implementing or installing energy cost savings measures, that has a record of established projects or measures of similar size and scope, that has demonstrated technical, operational, financial and managerial capabilities to design and operate

energy cost savings measures and projects and that has the financial ability to satisfy guarantees for energy cost savings.

Sec. 7. Section 15-213.03, Arizona Revised Statutes, is amended to read:

15-213.03. Procurement practices; guaranteed energy production contracts; definitions

A. Notwithstanding section 15-213, subsection A, a school district may ~~contract for the procurement of~~ **PROCURE** a guaranteed energy production contract with a qualified provider through a competitive sealed proposal process as provided by the procurement practices adopted by the state board of education.

B. The school district shall use objective criteria in selecting the qualified provider, including the guaranteed energy price, the guaranteed energy production, the quality of the technical approach, the quality of the project management plan, the financial solvency of the qualified provider and the experience of the qualified provider with projects of similar size and scope. The school district shall set forth each criterion with its respective numerical weighting in the request for proposal.

C. In selecting a contractor to perform any construction work related to performing the guaranteed energy production contract, the qualified provider may develop and use a prequalification process for contractors. These prequalifications may require the contractor to demonstrate that the contractor is adequately bonded to perform the work and that the contractor has not failed to perform on a prior job.

D. When submitting a proposal for the installation of equipment, the qualified provider shall include information containing the guaranteed energy production associated with each proposed energy production measure. The school district shall review and approve this guarantee before the actual installation of any equipment. The qualified provider shall transmit a copy of the approved guarantee to the **DIVISION OF school facilities board WITHIN THE DEPARTMENT OF ADMINISTRATION** and **TO** the governor's office ~~of energy policy~~.

E. A guaranteed energy production contract shall include a guaranteed energy price, and a written guaranteed energy production as measured on an annual basis over the expected life of the energy production measures implemented or within twenty-five years, whichever is shorter. The qualified provider shall:

1. Prepare a measurement and verification report on an annual basis in addition to an annual reconciliation of any guaranteed energy production shortfall.

2. Reimburse the school district for any guaranteed energy production shortfall on an annual basis by multiplying any energy production shortfall by either the difference between the guaranteed energy price and the effective utility rate, or an alternative method as mutually agreed on by the school district and the **QUALIFIED** provider.

F. The school district may obtain any required financing as part of the original competitive sealed proposal process from the qualified provider or a third-party financing institution.

G. A qualified provider that is awarded the contract shall give a sufficient bond to the school district for its faithful performance of the equipment installment.

H. The qualified provider is required to make public information in the subcontractor's bids only if the school district awards the qualified provider the guaranteed energy production contract.

I. For all projects carried out under this section, the district shall report to the governor's office ~~of energy policy~~ and the **DIVISION OF school facilities board WITHIN THE DEPARTMENT OF ADMINISTRATION**:

1. The name of the project.

2. The **NAME OF THE** qualified provider.

3. The total cost of the project.

4. The expected guaranteed energy production and guaranteed energy price, including relevant escalators, if applicable, over the term of the guaranteed energy production contract.

J. For all projects carried out under this section, the district shall report to the **DIVISION OF school facilities board WITHIN THE DEPARTMENT OF ADMINISTRATION**, by October 15 each year, the actual energy production and guaranteed energy price.

K. For the purposes of this section:

1. "Actual energy production" means the actual amount of energy that flows from the energy production measure on an annual basis as measured by a meter in kilowatt hours alternating current.

2. "Construction" means the process of building, altering, repairing, improving or demolishing any school district structure or building, or other public improvements of any kind to any school district real property. Construction does not include the routine operation, routine repair or routine maintenance of existing structures, buildings or real property.

3. "Effective utility rate" means the average price per kilowatt hour that a school district paid to its utility provider for electricity service to the facility that is the subject of the guaranteed energy production contract over the previous twelve months.

4. "Energy production measure" means renewable and alternative energy projects or renewable energy power service agreements.

5. "Guaranteed energy price" means the agreed on price to be charged to the school for each kilowatt hour alternating current of actual energy production as such may change on an annual basis as set forth in the guaranteed energy production contract.

6. "Guaranteed energy production" means the amount of energy, measured in kilowatt hours alternating current, that the qualified provider guarantees for each year of the guaranteed energy production contract.

7. "Guaranteed energy production contract" means a contract for implementing one or more energy production measures between one or more qualified providers and a school district.

8. "Guaranteed energy production shortfall" means the amount, if any, that the actual energy production is less than the guaranteed energy production in any given year.

9. "Qualified provider" means a person or a business that is experienced in designing, implementing or installing energy cost savings measures, that has demonstrated technical, operational, financial and managerial capabilities to design and operate cost savings measures and projects and that has the financial ability to satisfy guarantees for guaranteed energy production, financial solvency and experience for projects of similar size and scope.

Sec. 8. **Repeal**

Section 15-240, Arizona Revised Statutes, is repealed.

Sec. 9. Section 15-251, Arizona Revised Statutes, as amended by Laws 2021, chapter 2, section 3, is amended to read:

15-251. Powers and duties

The superintendent of public instruction shall:

1. Superintend the schools of this state.

2. Request the auditor general to investigate when necessary the accounts of school monies kept by any state, county or district officer.

3. Subject to supervision by the state board of education, apportion to the several counties the monies to which each county is entitled for the year. Apportionment shall be made as provided in chapter 9 of this title.

4. Execute, under the direction of the state board of education, the policies that have been decided on by the state board.

5. Direct the performance of executive, administrative or ministerial functions by the department of education or divisions or employees of the department.

~~6. Direct and oversee the work of all investigators related to investigating certificated persons, persons seeking certification and noncertificated persons for immoral or unprofessional conduct under this title and rules adopted pursuant to this title. The investigators shall be housed within and are employees of the department of education. For the purposes of this paragraph, "noncertificated person" has the same meaning prescribed in section 15-505.~~

~~7.~~ 6. Provide information to the state board of education related to the powers and duties set forth in section 15-203.

Sec. 10. Section 15-341, Arizona Revised Statutes, is amended to read:

15-341. General powers and duties; immunity; delegation

A. The governing board shall:

1. Prescribe and enforce policies and procedures ~~for the governance of~~ **TO GOVERN** the schools that are not inconsistent with law or rules prescribed by the state board of education.

2. Exclude from schools all books, publications, papers or audiovisual materials of a sectarian, partisan or denominational character. This paragraph does not prohibit the elective course permitted by section 15-717.01.

3. Manage and control the school property within its district, except that a district may enter into a partnership with an entity, including a charter school, another school district or a military base, to operate a school or offer educational services in a district building, including at a vacant or partially used building, or in any building on the entity's property pursuant to a written agreement between the parties.

4. Acquire school furniture, apparatus, equipment, library books and supplies for ~~the use of the~~ **TO USE** schools.

5. Prescribe the curricula and criteria for the promotion and graduation of pupils as provided in sections 15-701 and 15-701.01.

6. Furnish, repair and insure, at full insurable value, the school property of the district.

7. Construct school buildings on approval by a vote of the district electors.

8. ~~Make~~ In the name of the district, ~~conveyances of~~ **CONVEY** property belonging to the district and sold by the board.

9. Purchase school sites when authorized by a vote of the district at an election conducted as nearly as practicable in the same manner as the election provided in section 15-481 and held on a date prescribed in section 15-491, subsection E, but such authorization shall not necessarily specify the site to be purchased and such authorization shall not be necessary to exchange unimproved property as provided in section 15-342, paragraph 23.

10. Construct, improve and furnish buildings used for school purposes when such buildings or premises are leased from the national park service.

11. Purchase school sites or construct, improve and furnish school buildings from the proceeds of the sale of school property only on approval by a vote of the district electors.

12. Hold pupils to strict account for disorderly conduct on school property.

13. Discipline students for disorderly conduct on the way to and from school.

14. Except as provided in section 15-1224, deposit all monies received by the district as gifts, grants and devises with the county treasurer who shall credit the deposits as designated in the uniform system of financial records. If not inconsistent with the terms of the gifts, grants and devises given, any balance remaining after expenditures for the intended purpose of the monies have been made shall be used for reduction of school district taxes for the budget year, except that in the case of accommodation schools the county treasurer shall carry the balance forward for use by the county school superintendent for accommodation schools for the budget year.

15. Provide that, if a parent or legal guardian chooses not to accept a decision of the teacher as provided in paragraph 42 of this subsection, the parent or legal guardian may request in writing that the governing board review the teacher's decision. This paragraph does not release school districts from any liability relating to a child's promotion or retention.

16. Provide for adequate supervision over pupils in instructional and noninstructional activities by certificated or noncertificated personnel.

17. Use school monies received from the state and county school apportionment exclusively **for payment of TO PAY** salaries of teachers and other employees and contingent expenses of the district.

18. **Make an annual ANNUALLY** report to the county school superintendent on or before October 1 in the manner and form and on the blanks prescribed by the superintendent of public instruction or county school superintendent. The board shall also make reports directly to the county school superintendent or the superintendent of public instruction whenever required.

19. Deposit all monies received by school districts other than student activities monies or monies from auxiliary operations as provided in sections 15-1125 and 15-1126 with the county treasurer to the credit of the school district except as provided in paragraph 20 of this subsection and sections 15-1223 and 15-1224, and the board shall expend the monies as provided by law for other school funds.

20. Establish bank accounts in which the board during a month may deposit miscellaneous monies received directly by the district. The board shall remit monies deposited in the bank accounts at least monthly to the county treasurer for deposit as provided in paragraph 19 of this subsection and in accordance with the uniform system of financial records.

21. Prescribe and enforce policies and procedures for disciplinary action against a teacher who engages in conduct that is a violation of the policies of the governing board but that is not cause for dismissal of the teacher or for revocation of the certificate of the teacher. Disciplinary action may include suspension without pay for a period of time not to exceed ten school days. Disciplinary action shall not include suspension with pay or suspension without pay for a period of time longer than ten school days. The procedures shall include notice, hearing and appeal provisions for violations that are cause for disciplinary action. The governing board may designate a person or persons to act on behalf of the board on these matters.

22. Prescribe and enforce policies and procedures for disciplinary action against an administrator who engages in conduct that is a violation of the policies of the governing board regarding duties of administrators but that is not cause for dismissal of the administrator or for revocation of the certificate of the administrator. Disciplinary action may include suspension without pay for a period of time not to exceed ten school days. Disciplinary action shall not include suspension with pay or suspension without pay for a period of time longer than ten school days. The procedures shall include notice, hearing and appeal provisions for violations that are cause for disciplinary action. The governing board may designate a person or persons to act on behalf of the board on these matters. For violations that are cause for dismissal, the provisions of notice, hearing and appeal in chapter 5, article 3 of this title shall apply. The filing of a timely request for a hearing suspends the imposition of a suspension without pay or a dismissal pending completion of the hearing.

23. Notwithstanding sections 13-3108 and 13-3120, prescribe and enforce policies and procedures that prohibit a person from carrying or possessing a weapon on school grounds unless the person is a peace officer or has obtained specific authorization from the school administrator.

24. Prescribe and enforce policies and procedures relating to the health and safety of all pupils participating in district-sponsored practice sessions or games or other interscholastic athletic activities, including:

(a) The provision of water.

(b) Guidelines, information and forms, developed in consultation with a statewide private entity that supervises interscholastic activities, to inform and educate coaches, pupils and parents of the dangers of concussions and head injuries and the risks of continued participation in athletic activity after a concussion. The policies and procedures shall require that, before a pupil participates in an athletic activity, the pupil and the pupil's parent must sign an information form at least once each school year that states that the parent is aware of the nature and risk of concussion. The policies and procedures shall require that a pupil who is suspected of sustaining a concussion in a practice session, game or other interscholastic athletic activity be immediately removed from the athletic activity and that the pupil's parent or guardian be notified. A coach from the pupil's team or an official or a licensed health care provider may remove a pupil from play. A team parent may also remove the parent's own child from play. A pupil may return to play on the same day if a health care provider rules out a suspected concussion at the time the pupil is removed from play. On a subsequent day, the pupil may return to play if the pupil has been evaluated by and received written clearance to resume participation in athletic activity from a health care provider who has been trained in the evaluation and management of

concussions and head injuries. A health care provider who is a volunteer and who provides clearance to participate in athletic activity on the day of the suspected injury or on a subsequent day is immune from civil liability with respect to all decisions made and actions taken that are based on good faith implementation of the requirements of this subdivision, except in cases of gross negligence or wanton or wilful neglect. A school district, school district employee, team coach, official or team volunteer or a parent or guardian of a team member is not subject to civil liability for any act, omission or policy undertaken in good faith to comply with the requirements of this subdivision or for a decision made or an action taken by a health care provider. A group or organization that uses property or facilities owned or operated by a school district for athletic activities shall comply with the requirements of this subdivision. A school district and its employees and volunteers are not subject to civil liability for any other person or organization's failure or alleged failure to comply with the requirements of this subdivision. This subdivision does not apply to teams that are based in another state and that participate in an athletic activity in this state. For the purposes of this subdivision, athletic activity does not include dance, rhythmic gymnastics, competitions or exhibitions of academic skills or knowledge or other similar forms of physical noncontact activities, civic activities or academic activities, whether engaged in for the purposes of competition or recreation. For the purposes of this subdivision, "health care provider" means a physician who is licensed pursuant to title 32, chapter 13 or 17, an athletic trainer who is licensed pursuant to title 32, chapter 41, a nurse practitioner who is licensed pursuant to title 32, chapter 15, and a physician assistant who is licensed pursuant to title 32, chapter 25.

(c) Guidelines, information and forms that are developed in consultation with a statewide private entity that supervises interscholastic activities to inform and educate coaches, pupils and parents of the dangers of heat-related illnesses, sudden cardiac death and prescription opioid use. Before a pupil participates in any district-sponsored practice session or game or other interscholastic athletic activity, the pupil and the pupil's parent must be provided with information at least once each school year on the risks of heat-related illnesses, sudden cardiac death and prescription opioid addiction.

25. Establish an assessment, data gathering and reporting system as prescribed in chapter 7, article 3 of this title.

26. Provide special education programs and related services pursuant to section 15-764, subsection A to all children with disabilities as defined in section 15-761.

27. Administer competency tests prescribed by the state board of education for the graduation of pupils from high school.

28. Ensure that insurance coverage is secured for all construction projects for purposes of general liability, property damage and workers' compensation and secure performance and payment bonds for all construction projects.

29. Keep in the personnel file of all current and former employees who provide instruction to pupils at a school information about the employee's educational and teaching background and experience in a particular academic content subject area. A school district shall inform parents and guardians of the availability of the information and shall make the information available for inspection on request of parents and guardians of pupils enrolled at a school. This paragraph does not require any school to release personally identifiable information in relation to any teacher or employee, including the teacher's or employee's address, salary, social security number or telephone number.

30. Report to local law enforcement agencies any suspected crime against a person or property that is a serious offense as defined in section 13-706 or that involves a deadly weapon or dangerous instrument or serious physical injury and any conduct that poses a threat of death or serious physical injury to employees, students or anyone on the property of the school. This paragraph does not limit or preclude the reporting by a school district or an employee of a school district of suspected crimes other than those required to be reported by this paragraph. For the purposes of this paragraph, "dangerous instrument", "deadly weapon" and "serious physical injury" have the same meanings prescribed in section 13-105.

31. In conjunction with local law enforcement agencies and emergency response agencies, develop an emergency response plan for each school in the school district in accordance with minimum standards developed jointly by the department of education and the division of emergency management within the department of emergency and military affairs.

32. Provide written notice to the parents or guardians of all students enrolled in the school district at least ten days before a public meeting to discuss closing a school within the school district. The notice shall include the reasons for the proposed closure and the time and place of the meeting. The governing board shall fix a time for a public meeting on the proposed closure not less than ten days before voting in a public meeting to close the school. The school district governing board shall give notice of the time and place of the meeting. At the time and place designated in the notice, the school district governing board shall hear reasons for or against closing the school. The school district governing board is exempt from this paragraph if the governing board determines that the school shall be closed because it poses a danger to the health or safety of the pupils or employees of the school. A governing board may consult with the **DIVISION OF school facilities board WITHIN THE DEPARTMENT OF ADMINISTRATION** for technical assistance and for information on the impact of closing a school. The information provided from the **DIVISION OF school facilities board WITHIN THE DEPARTMENT OF ADMINISTRATION** shall not require the governing board to take or not take any action.

33. Incorporate instruction on Native American history into appropriate existing curricula.

34. Prescribe and enforce policies and procedures:

(a) Allowing pupils who have been diagnosed with anaphylaxis by a health care provider licensed pursuant to title 32, chapter 13, 14, 17 or 25 or by a registered nurse practitioner licensed and certified pursuant to title 32, chapter 15 to carry and self-administer emergency medications, including epinephrine auto-injectors, while at school and at school-sponsored activities. The pupil's name on the prescription label on the medication container or on the medication device and annual written documentation from the pupil's parent or guardian to the school that authorizes possession and self-administration is sufficient proof that the pupil is entitled to the possession and self-administration of the medication. The policies shall require a pupil who uses an epinephrine auto-injector while at school and at school-sponsored activities to notify the nurse or the designated school staff person of the use of the medication as soon as practicable. A school district and its employees are immune from civil liability with respect to all decisions made and actions taken that are based on good faith implementation of the requirements of this subdivision, except in cases of wanton or wilful neglect.

(b) For the emergency administration of epinephrine auto-injectors by a trained employee of a school district pursuant to section 15-157.

35. Allow the possession and self-administration of prescription medication for breathing disorders in handheld inhaler devices by pupils who have been prescribed that medication by a health care professional licensed pursuant to title 32. The pupil's name on the prescription label on the medication container or on the handheld inhaler device and annual written documentation from the pupil's parent or guardian to the school that authorizes possession and self-administration shall be sufficient proof that the pupil is entitled to the possession and self-administration of the medication. A school district and its employees are immune from civil liability with respect to all decisions made and actions taken that are based on a good faith implementation of the requirements of this paragraph.

36. Prescribe and enforce policies and procedures to prohibit pupils from harassing, intimidating and bullying other pupils on school grounds, on school property, on school buses, at school bus stops, at school-sponsored events and activities and through the use of electronic technology or electronic communication on school computers, networks, forums and mailing lists that include the following components:

(a) A procedure for pupils, parents and school district employees to confidentially report to school officials incidents of harassment, intimidation or bullying. The school shall make available written forms designed to provide a full and detailed description of the incident and any other relevant information about the incident.

(b) A requirement that school district employees report in writing suspected incidents of harassment, intimidation or bullying to the appropriate school official and a description of appropriate disciplinary procedures for employees who fail to report suspected incidents that are known to the employee.

(c) A requirement that, at the beginning of each school year, school officials provide all pupils with a written copy of the rights, protections and support services available to a pupil who is an alleged victim of an incident reported pursuant to this paragraph.

(d) If an incident is reported pursuant to this paragraph, a requirement that school officials provide a pupil who is an alleged victim of the incident with a written copy of the rights, protections and support services available to that pupil.

(e) A formal process for the documentation of reported incidents of harassment, intimidation or bullying and for the confidentiality, maintenance and disposition of this documentation. School districts shall maintain documentation of all incidents reported pursuant to this paragraph for at least six years. The school shall not use that documentation to impose disciplinary action unless the appropriate school official has investigated and determined that the reported incidents of harassment, intimidation or bullying occurred. If a school provides documentation of reported incidents to persons other than school officials or law enforcement, all individually identifiable information shall be redacted.

(f) A formal process for the investigation by the appropriate school officials of suspected incidents of harassment, intimidation or bullying, including procedures for notifying the alleged victim and the alleged victim's parent or guardian when a school official or employee becomes aware of the suspected incident of harassment, intimidation or bullying.

(g) Disciplinary procedures for pupils who have admitted or been found to have committed incidents of harassment, intimidation or bullying.

(h) A procedure that sets forth consequences for submitting false reports of incidents of harassment, intimidation or bullying.

(i) Procedures designed to protect the health and safety of pupils who are physically harmed as the result of incidents of harassment, intimidation and bullying, including, if appropriate, procedures to contact emergency medical services or law enforcement agencies, or both.

(j) Definitions of harassment, intimidation and bullying.

37. Prescribe and enforce policies and procedures regarding changing or adopting attendance boundaries that include the following components:

(a) A procedure for holding public meetings to discuss attendance boundary changes or adoptions that allows public comments.

(b) A procedure to notify the parents or guardians of the students affected, **INCLUDING ASSURANCE THAT, IF THAT SCHOOL REMAINS OPEN AS PART OF THE BOUNDARY CHANGE AND CAPACITY IS AVAILABLE, STUDENTS ASSIGNED TO A NEW ATTENDANCE AREA MAY STAY ENROLLED IN THEIR CURRENT SCHOOL.**

(c) A procedure to notify the residents of the households affected by the attendance boundary changes.

(d) A process for placing public meeting notices and proposed maps on the school district's website for public review, if the school district maintains a website.

(e) A formal process for presenting the attendance boundaries of the affected area in public meetings that allows public comments.

(f) A formal process for notifying the residents and parents or guardians of the affected area as to the decision of the governing board on the school district's website, if the school district maintains a website.

(g) A formal process for updating attendance boundaries on the school district's website within ninety days **of AFTER** an adopted boundary change. The school district shall send a direct link to the school district's attendance boundaries website to the department of real estate.

38. If the state board of education determines that the school district has committed an overexpenditure as defined in section 15-107, provide a copy of the fiscal management report submitted pursuant to section 15-107, subsection H on its website and make copies available to the public on request. The school district shall comply with a request within five business days after receipt.

39. Ensure that the contract for the superintendent is structured in a manner in which up to twenty percent of the total annual salary included for the superintendent in the contract is classified as performance pay. This paragraph does not require school districts to increase total compensation for superintendents. Unless the school district governing board votes to implement an alternative procedure at a public meeting called for this purpose, the performance pay portion of the superintendent's total annual compensation shall be determined as follows:

(a) Twenty-five percent of the performance pay shall be determined based on the percentage of academic gain determined by the department of education of pupils who are enrolled in the school district compared to the academic gain achieved by the highest ranking of the fifty largest school districts in this state. For the purposes of this subdivision, the department of education shall determine academic gain by the academic growth achieved by each pupil who has been enrolled at the same school in a school district for at least five consecutive months measured against that pupil's academic results in the 2008-2009 school year. For the purposes of this subdivision, of the fifty largest school districts in this state, the school district with pupils who demonstrate the highest statewide percentage of overall academic gain measured against academic results for the 2008-2009 school year shall be assigned a score of 100 and the school district with pupils who demonstrate the lowest statewide percentage of overall academic gain measured against academic results for the 2008-2009 school year shall be assigned a score of 0.

(b) Twenty-five percent of the performance pay shall be determined by the percentage of parents of pupils who are enrolled at the school district who assign a letter grade of "A" to the school on a survey of parental satisfaction with the school district. The parental satisfaction survey shall be administered and scored by an independent entity that is selected by the governing board and that demonstrates sufficient expertise and experience to accurately measure the results of the survey. The parental satisfaction survey shall use standard random sampling procedures and provide anonymity and confidentiality to each parent who participates in the survey. The letter grade scale used on the parental satisfaction survey shall direct parents to assign one of the following letter grades:

(i) A letter grade of "A" if the school district is excellent.

(ii) A letter grade of "B" if the school district is above average.

(iii) A letter grade of "C" if the school district is average.

(iv) A letter grade of "D" if the school district is below average.

(v) A letter grade of "F" if the school district is a failure.

(c) Twenty-five percent of the performance pay shall be determined by the percentage of teachers who are employed at the school district and who assign a letter grade of "A" to the school on a survey of teacher satisfaction with the school. The teacher satisfaction survey shall be administered and scored by an independent entity that is selected by the governing board and that demonstrates sufficient expertise and experience to accurately measure the results of the survey. The teacher satisfaction survey shall use standard random sampling procedures and provide anonymity and confidentiality to each teacher who participates in the survey. The letter grade scale used on the teacher satisfaction survey shall direct teachers to assign one of the following letter grades:

(i) A letter grade of "A" if the school district is excellent.

(ii) A letter grade of "B" if the school district is above average.

(iii) A letter grade of "C" if the school district is average.

(iv) A letter grade of "D" if the school district is below average.

(v) A letter grade of "F" if the school district is a failure.

(d) Twenty-five percent of the performance pay shall be determined by other criteria selected by the governing board.

40. Maintain and store permanent public records of the school district as required by law. Notwithstanding section 39-101, the standards adopted by the Arizona state library, archives and public records for the maintenance and storage of school district public records shall allow school districts to elect to satisfy the requirements of this paragraph by maintaining and storing these records either on paper or in an electronic format, or a combination of a paper and electronic format.

41. Adopt in a public meeting and implement policies for principal evaluations. Before adopting principal evaluation policies, the school district governing board shall provide opportunities for public discussion on the proposed policies. The governing board shall adopt policies that:

- (a) Are designed to improve principal performance and improve student achievement.
- (b) Include the use of quantitative data on the academic progress for all students, which shall account for between twenty percent and thirty-three percent of the evaluation outcomes.
- (c) Include four performance classifications, designated as highly effective, effective, developing and ineffective.
- (d) Describe both of the following:
 - (i) The methods used to evaluate the performance of principals, including the data used to measure student performance and job effectiveness.
 - (ii) The formula used to determine evaluation outcomes.

42. Prescribe and enforce policies and procedures that define the duties of principals and teachers. These policies and procedures shall authorize teachers to take and maintain daily classroom attendance, make the decision to promote or retain a pupil in a grade in common school or to pass or fail a pupil in a course in high school, subject to review by the governing board in the manner provided in section 15-342, paragraph 11.

43. Prescribe and enforce policies and procedures for the emergency administration by an employee of a school district pursuant to section 36-2267 of naloxone hydrochloride or any other opioid antagonist approved by the United States food and drug administration.

44. In addition to the notification requirements prescribed in paragraph 36 of this subsection, prescribe and enforce reasonable and appropriate policies to notify a pupil's parent or guardian if any person engages in harassing, threatening or intimidating conduct against that pupil. A school district and its officials and employees are immune from civil liability with respect to all decisions made and actions taken that are based on good faith implementation of the requirements of this paragraph, except in cases of gross negligence or wanton or wilful neglect. A person engages in threatening or intimidating if the person threatens or intimidates by word or conduct to cause physical injury to another person or serious damage to the property of another on school grounds. A person engages in harassment if, with intent to harass or with knowledge that the person is harassing another person, the person anonymously or otherwise contacts, communicates or causes a communication with another person by verbal, electronic, mechanical, telephonic or written means in a manner that harasses on school grounds or substantially disrupts the school environment.

B. Notwithstanding subsection A, paragraphs 7, 9 and 11 of this section, the county school superintendent may construct, improve and furnish school buildings or purchase or sell school sites in the conduct of an accommodation school.

C. If any school district acquires real or personal property, whether by purchase, exchange, condemnation, gift or otherwise, the governing board shall pay to the county treasurer any taxes on the property that were unpaid as of the date of acquisition, including penalties and interest. The lien for unpaid delinquent taxes, penalties and interest on property acquired by a school district:

- 1. Is not abated, extinguished, discharged or merged in the title to the property.
- 2. Is enforceable in the same manner as other delinquent tax liens.

D. The governing board may not locate a school on property that is less than one-fourth mile from agricultural land regulated pursuant to section 3-365, except that the owner of the agricultural land may agree to comply with the buffer zone requirements of section 3-365. If the owner agrees in writing to comply with the buffer zone requirements and records the agreement in the office of the county recorder as a restrictive covenant running with the title to the land, the school district may locate a school within the affected buffer zone. The agreement may include any stipulations regarding the school, including conditions for future expansion of the school and changes in the operational status of the school that will result in a breach of the agreement.

E. A school district, its governing board members, its school council members and its employees are immune from civil liability for the consequences of adoption and implementation of policies and procedures pursuant to subsection A of this section and section 15-342. This waiver does not apply if the school district, its governing board members, its school council members or its employees are guilty of gross negligence or intentional misconduct.

F. A governing board may delegate in writing to a superintendent, principal or head teacher the authority to prescribe procedures that are consistent with the governing board's policies.

G. Notwithstanding any other provision of this title, a school district governing board shall not take any action that would result in a reduction of pupil square footage unless the governing board notifies the school facilities **OVERSIGHT** board established by section ~~15-2001~~ 41-5701.02 of the proposed action and receives written approval from the school facilities **OVERSIGHT** board to take the action. A reduction includes an increase in administrative space that results in a reduction of pupil square footage or sale of school sites or

buildings, or both. A reduction includes a reconfiguration of grades that results in a reduction of pupil square footage of any grade level. This subsection does not apply to temporary reconfiguration of grades to accommodate new school construction if the temporary reconfiguration does not exceed one year. The sale of equipment that results in a reduction that falls below the equipment requirements prescribed in section ~~15-2011~~ ~~41-5711~~, subsection B is subject to commensurate withholding of school district additional assistance monies pursuant to the direction of the school facilities **OVERSIGHT** board. Except as provided in section 15-342, paragraph 10, proceeds from the sale of school sites, buildings or other equipment shall be deposited in the school plant fund as provided in section 15-1102.

H. Subsections C through G of this section apply to a county board of supervisors and a county school superintendent when operating and administering an accommodation school.

I. A school district governing board may delegate authority in writing to the superintendent of the school district to submit plans for new school facilities to the school facilities **OVERSIGHT** board for the purpose of certifying that the plans meet the minimum school facility adequacy guidelines prescribed in section ~~15-2011~~ ~~41-5711~~.

J. FOR THE PURPOSES OF SUBSECTION A, PARAGRAPH 37 OF THIS SECTION, ATTENDANCE BOUNDARIES MAY NOT BE USED TO REQUIRE STUDENTS TO ATTEND CERTAIN SCHOOLS BASED ON THE STUDENT'S PLACE OF RESIDENCE.

Sec. 11. Section 15-342, Arizona Revised Statutes, is amended to read:

15-342. Discretionary powers

The governing board may:

1. Expel pupils for misconduct.
2. Exclude from grades one through eight children under six years of age.
3. Make such separation of groups of pupils as it deems advisable.
4. Maintain such special schools during vacation as deemed necessary for the benefit of the pupils of the school district.

5. **Permit ALLOW** a superintendent or principal or representatives of the superintendent or principal to travel for a school purpose, as determined by a majority vote of the board. The board may **permit ALLOW** members and members-elect of the board to travel within or without the school district for a school purpose and receive reimbursement. Any expenditure for travel and subsistence pursuant to this paragraph shall be as provided in title 38, chapter 4, article 2. The designated post of duty referred to in section 38-621 shall be construed, for school district governing board members, to be the member's actual place of residence, as opposed to the school district office or the school district boundaries. Such expenditures shall be a charge against the budgeted school district funds. The governing board of a school district shall prescribe procedures and amounts for reimbursement of lodging and subsistence expenses. Reimbursement amounts shall not exceed the maximum amounts established pursuant to section 38-624, subsection C.

6. Construct or provide in rural districts housing facilities for teachers and other school employees that the board determines are necessary ~~for the operation of~~ **TO OPERATE** the school.

7. Sell or lease to the state, a county, a city, another school district or a tribal government agency any school property required for a public purpose, ~~provided~~ **IF** the sale or lease of the property will not affect the normal operations of a school within the school district.

8. Annually budget and ~~expend funds~~ **SPEND MONIES** for membership in an association of school districts within this state.

9. Enter into leases or lease-purchase agreements for school buildings or grounds, or both, as lessor or as lessee, for periods of less than twenty years subject to voter approval for construction of school buildings as prescribed in section 15-341, subsection A, paragraph 7.

10. Subject to **TITLE 41**, chapter ~~16 of this title~~ **56**, sell school sites or enter into leases or lease-purchase agreements for school buildings and grounds, as lessor or as lessee, for a period of twenty years or more, but not to exceed ninety-nine years, if authorized by a vote of the school district electors in an election called by the governing board as provided in section 15-491, except that authorization by the school district electors in an election is not required if one of the following requirements is met:

(a) The market value of the school property is less than \$50,000 or the property is procured through a renewable energy development agreement, an energy performance contract, which among other items includes a renewable energy power service agreement, or a simplified energy performance contract pursuant to section 15-213.01.

(b) The buildings and sites are completely funded with monies distributed by **THE SCHOOL FACILITIES DIVISION WITHIN THE DEPARTMENT OF ADMINISTRATION OR AT THE DIRECTION OF** the school facilities **OVERSIGHT** board, **OR ITS PREDECESSOR**.

(c) The transaction involves the sale of improved or unimproved property pursuant to an agreement with the school facilities **OVERSIGHT** board in which the school district agrees to sell the improved or unimproved property and transfer the proceeds of the sale to the school facilities **OVERSIGHT** board in exchange for monies from the school facilities **OVERSIGHT** board for the acquisition of a more suitable school site. For a sale of property acquired by a school district ~~prior to~~ **BEFORE** July 9, 1998, a school district shall transfer to the school facilities **OVERSIGHT** board that portion of the proceeds that equals the cost of the acquisition of a more

suitable school site. If there are any remaining proceeds after the transfer of monies to the school facilities **OVERSIGHT** board, a school district shall only use those remaining proceeds for future land purchases approved by the school facilities **OVERSIGHT** board, or for capital improvements not funded by the school facilities **OVERSIGHT** board for any existing or future facility.

(d) The transaction involves the sale of improved or unimproved property pursuant to a formally adopted plan and the school district uses the proceeds of this sale to purchase other property that will be used for similar purposes as the property that was originally sold, ~~provided that~~ **IF** the sale proceeds of the improved or unimproved property are used within two years after the date of the original sale to purchase the replacement property. If the sale proceeds of the improved or unimproved property are not used within two years after the date of the original sale to purchase replacement property, the sale proceeds shall be used ~~towards payment of~~ **TOWARD PAYING** any outstanding bonded indebtedness. If any sale proceeds remain after paying for outstanding bonded indebtedness, or if the district has no outstanding bonded indebtedness, sale proceeds shall be used to reduce the district's primary tax levy. A school district shall not use this subdivision unless all of the following conditions exist:

(i) The school district is the sole owner of the improved or unimproved property that the school district intends to sell.

(ii) The school district did not purchase the improved or unimproved property that the school district intends to sell with monies that were distributed pursuant to **TITLE 41**, chapter ~~16 of this title~~ **56**.

(iii) The transaction does not violate section 15-341, subsection G.

11. Review the decision of a teacher to promote a pupil to a grade or retain a pupil in a grade in a common school or to pass or fail a pupil in a course in high school. The pupil has the burden of proof to overturn the decision of a teacher to promote, retain, pass or fail the pupil. In order to sustain the burden of proof, the pupil shall demonstrate to the governing board that the pupil has mastered the academic standards adopted by the state board of education pursuant to sections 15-701 and 15-701.01. If the governing board overturns the decision of a teacher pursuant to this paragraph, the governing board shall adopt a written finding that the pupil has mastered the academic standards. Notwithstanding title 38, chapter 3, article 3.1, the governing board shall review the decision of a teacher to promote a pupil to a grade or retain a pupil in a grade in a common school or to pass or fail a pupil in a course in high school in executive session unless a parent or legal guardian of the pupil or the pupil, if emancipated, disagrees that the review should be conducted in executive session and then the review shall be conducted in an open meeting. If the review is conducted in executive session, the board shall notify the teacher of the date, time and place of the review and shall allow the teacher to be present at the review. If the teacher is not present at the review, the board shall consult with the teacher before making its decision. Any request, including the written request as provided in section 15-341, the written evidence presented at the review and the written record of the review, including the decision of the governing board to accept or reject the teacher's decision, shall be retained by the governing board as part of its permanent records.

12. Provide transportation or site transportation loading and unloading areas for any child or children if deemed for the best interest of the district, whether within or without the district, county or state.

13. Enter into intergovernmental agreements and contracts with school districts or other governing bodies as provided in section 11-952. Intergovernmental agreements and contracts between school districts or between a school district and other governing bodies as provided in section 11-952 are exempt from competitive bidding under the procurement rules adopted by the state board of education pursuant to section 15-213.

14. Include in the curricula it prescribes for high schools in the school district career and technical education, vocational education and technology education programs and career and technical, vocational and technology program improvement services for the high schools, subject to approval by the state board of education. The governing board may contract for the provision of career and technical, vocational and technology education as provided in section 15-789.

15. Suspend a teacher or administrator from the teacher's or administrator's duties without pay for a period of time of not to exceed ten school days, if the board determines that suspension is warranted pursuant to section 15-341, subsection A, ~~paragraphs~~ **PARAGRAPH 21 and OR 22**.

16. Dedicate school property within an incorporated city or town to ~~such~~ **THAT** city or town or within a county to that county for use as a public right-of-way if both of the following apply:

(a) Pursuant to an ordinance adopted by ~~such~~ **THE** city, town or county, there will be conferred ~~upon~~ **ON** the school district privileges and benefits that may include benefits related to zoning.

(b) The dedication will not affect the normal operation of any school within the district.

17. Enter into option agreements for the purchase of school sites.

18. Donate surplus or outdated learning materials, educational equipment and furnishings to nonprofit community organizations ~~where~~ **IF** the governing board determines that the anticipated cost of selling the learning materials, educational equipment or furnishings equals or exceeds the estimated market value of the materials.

19. Prescribe policies ~~for the assessment of~~ **TO ASSESS** reasonable fees for students to use district-provided parking facilities. The fees are to be applied by the district solely against costs incurred in operating or securing the parking facilities. Any policy adopted by the governing board pursuant to this paragraph shall include a fee waiver provision in appropriate cases of need or economic hardship.

20. Establish alternative **educational EDUCATION** programs that are consistent with the laws of this state to educate pupils, including pupils who have been reassigned pursuant to section 15-841, subsection E or F.

21. Require a period of silence to be observed at the commencement of the first class of the day in the schools. If a governing board chooses to require a period of silence to be observed, the teacher in charge of the room in which the first class is held shall announce that a period of silence not to exceed one minute in duration will be observed for meditation, and during that time no activities shall take place and silence shall be maintained.

22. Require students to wear uniforms.

23. Exchange unimproved property or improved property, including school sites, **where IF** the governing board determines that the improved property is unnecessary for the continued operation of the school district without requesting authorization by a vote of the school district electors **AND** if the governing board determines that the exchange is necessary to protect the health, safety or welfare of pupils or **when IF** the governing board determines that the exchange is based on sound business principles for either:

(a) Unimproved or improved property of equal or greater value.

(b) Unimproved property that the owner contracts to improve if the value of the property ultimately received by the school district is of equal or greater value.

24. For common and high school pupils, assess reasonable fees for optional extracurricular activities and programs conducted when the common or high school is not in session, except that **no** fees shall **NOT** be charged for pupils' access to or use of computers or related materials. For high school pupils, the governing board may assess reasonable fees for fine arts and vocational education courses and for optional services, equipment and materials offered to the pupils beyond those required to successfully complete the basic requirements of any other course, except that **no** fees shall **NOT** be charged for pupils' access to or use of computers or related materials. Fees assessed pursuant to this paragraph shall be adopted at a public meeting after notice has been given to all parents of pupils enrolled at schools in the district and shall not exceed the actual costs of the activities, programs, services, equipment or materials. The governing board shall authorize principals to waive the assessment of all or part of a fee assessed pursuant to this paragraph if it creates an economic hardship for a pupil. For the purposes of this paragraph, "extracurricular activity" means any optional, noncredit, educational or recreational activity that supplements the education program of the school, whether offered before, during or after regular school hours.

25. Notwithstanding section 15-341, subsection A, paragraphs 7 and 9, construct school buildings and purchase or lease school sites, without a vote of the school district electors, if the buildings and sites are totally funded from one or more of the following:

(a) Monies in the unrestricted capital outlay fund, except that the estimated cost shall not exceed \$250,000 for a district that **utilizes USES** section 15-949.

(b) Monies distributed **from AT THE DIRECTION OF** the school facilities **OVERSIGHT** board established by section **15-2001 41-5701.02 OR BY THE SCHOOL FACILITIES DIVISION WITHIN THE DEPARTMENT OF ADMINISTRATION PURSUANT TO TITLE 41, CHAPTER 56.**

(c) Monies specifically donated for the purpose of constructing school buildings.

This paragraph **shall DOES** not **be-constructed-to** eliminate the requirement for an election to raise revenues for a capital outlay override pursuant to section 15-481 or a bond election pursuant to section 15-491.

26. Conduct a background investigation that includes a fingerprint check conducted pursuant to section 41-1750, subsection G for certificated personnel and personnel who are not paid employees of the school district, as a condition of employment. A school district may release the results of a background check to another school district for employment purposes. The school district may charge the costs of fingerprint checks to its fingerprinted employee, except that the school district may not charge the costs of fingerprint checks for personnel who are not paid employees of the school district.

27. Unless otherwise prohibited by law, sell advertising as follows:

(a) Advertisements shall be age appropriate and not **contain-promotion-of PROMOTE** any substance that is illegal for minors such as alcohol, tobacco and drugs or gambling. Advertisements shall comply with the state sex education policy of abstinence.

(b) Advertising approved by the governing board for the exterior of school buses may appear only on the sides of the bus in the following areas:

(i) The signs shall be below the seat level rub rail and not extend above the bottom of the side windows.

(ii) The signs shall be at least three inches from any required lettering, lamp, wheel well or reflector behind the service door or stop signal arm.

(iii) The signs shall not extend from the body of the bus so as to allow a handhold or present a danger to pedestrians.

(iv) The signs shall not interfere with the operation of any door or window.

(v) The signs shall not be placed on any emergency doors.

(c) The school district shall establish an advertisement fund that is composed of revenues from the sale of advertising. The monies in an advertisement fund are not subject to reversion.

28. Assess reasonable damage deposits to pupils in grades seven through twelve for **the-use-of USING** textbooks, musical instruments, band uniforms or other equipment required for academic courses. The

governing board shall adopt policies on any damage deposits assessed pursuant to this paragraph at a public meeting called for this purpose after providing notice to all parents of pupils in grades seven through twelve in the school district. Principals of individual schools within the district may waive the damage deposit requirement for any textbook or other item if the payment of the damage deposit would create an economic hardship for the pupil. The school district shall return the full amount of the damage deposit for any textbook or other item if the pupil returns the textbook or other item in reasonably good condition within the time period prescribed by the governing board. For the purposes of this paragraph, "in reasonably good condition" means the textbook or other item is in the same or a similar condition as it was when the pupil received it, plus ordinary wear and tear.

29. Notwithstanding section 15-1105, expend surplus monies in the civic center school fund for maintenance and operations or unrestricted capital outlay, if sufficient monies are available in the fund after meeting the needs of programs established pursuant to section 15-1105.

30. Notwithstanding section 15-1143, ~~expend~~ SPEND surplus monies in the community school program fund for maintenance and operations or unrestricted capital outlay; if sufficient monies are available in the fund after meeting the needs of programs established pursuant to section 15-1142.

31. Adopt guidelines ~~for standardization of~~ TO STANDARDIZE the format of the school report cards required by section 15-746 for schools within the district.

32. Adopt policies that require parental notification when a law enforcement officer interviews a pupil on school grounds. Policies adopted pursuant to this paragraph shall not impede a peace officer from ~~the performance of~~ PERFORMING the peace officer's duties. If the school district governing board adopts a policy that requires parental notification:

(a) The policy may provide reasonable exceptions to the parental notification requirement.

(b) The policy shall set forth whether and under what circumstances a parent may be present when a law enforcement officer interviews the pupil, including reasonable exceptions to the circumstances under which a parent may be present when a law enforcement officer interviews the pupil, and shall specify a reasonable maximum time after a parent is notified that an interview of a pupil by a law enforcement officer may be delayed to allow the parent to be present.

33. Enter into voluntary partnerships with any party to finance with ~~funds~~ MONIES other than school district ~~funds~~ MONIES and cooperatively design school facilities that comply with the adequacy standards prescribed in section ~~15-2041~~ 41-5711 and the square footage per pupil requirements pursuant to section ~~15-2041~~ 41-5741, subsection D, paragraph 3, subdivision (b). The design plans and location of any such school facility shall be submitted to the school facilities OVERSIGHT board for approval pursuant to section ~~15-2041~~ 41-5741, subsection O. If the school facilities OVERSIGHT board approves the design plans and location of any such school facility, the party in partnership with the school district may cause to be constructed and the district may begin operating the school facility before monies are distributed ~~from~~ AT THE DIRECTION OF the school facilities OVERSIGHT board pursuant to section ~~15-2041~~ 41-5741. Monies distributed from the new school facilities fund to a school district in a partnership with another party to finance and design the school facility shall be paid to the school district pursuant to section ~~15-2041~~ 41-5741. The school district shall reimburse the party in partnership with the school district from the monies paid to the school district pursuant to section ~~15-2041~~ 41-5741, in accordance with the voluntary partnership agreement. Before the school facilities OVERSIGHT board ~~distributes~~ DIRECTS THE DISTRIBUTION OF any monies pursuant to this subsection, the school district shall demonstrate to the school facilities OVERSIGHT board that the facilities to be funded pursuant to section ~~15-2041~~ 41-5741, subsection O meet the minimum adequacy standards prescribed in section ~~15-2041~~ 41-5711. If the cost to construct the school facility exceeds the amount that the school district receives from the new school facilities fund, the partnership agreement between the school district and the other party shall specify that, except as otherwise provided by the other party, any such excess costs shall be the responsibility of the school district. The school district governing board shall adopt a resolution in a public meeting that an analysis has been conducted on the prospective effects of the decision to operate a new school with existing monies from the school district's maintenance and operations budget and how this decision may affect other schools in the school district. If a school district acquires land by donation at an appropriate school site approved by the school facilities OVERSIGHT board and a school facility is financed and built on the land pursuant to this paragraph, the school facilities OVERSIGHT board shall ~~distribute~~ DIRECT THE DISTRIBUTION OF an amount equal to twenty percent of the fair market value of the land that can be used for academic purposes. The school district shall place the monies in the unrestricted capital outlay fund and increase the unrestricted capital budget limit by the amount of the monies placed in the fund. Monies distributed under this paragraph shall be distributed from the new school facilities fund pursuant to section ~~15-2041~~ 41-5741. If a school district acquires land by donation at an appropriate school site approved by the school facilities OVERSIGHT board and a school facility is financed and built on the land pursuant to this paragraph, the school district shall not receive monies ~~from the school facilities board~~ for the donation of real property pursuant to section ~~15-2041~~ 41-5741, subsection F. It is unlawful for:

(a) A county, city or town to require as a condition of any land use approval that a landowner or landowners that entered into a partnership pursuant to this paragraph provide any contribution, donation or gift, other than a site donation, to a school district. This subdivision only applies to the property in the voluntary partnership agreement pursuant to this paragraph.

(b) A county, city or town to require as a condition of any land use approval that the landowner or landowners located within the geographic boundaries of the school subject to the voluntary partnership pursuant to this paragraph provide any donation or gift to the school district except as provided in the voluntary partnership agreement pursuant to this paragraph.

(c) A community facilities district established pursuant to title 48, chapter 4, article 6 to be used for reimbursement of financing the construction of a school pursuant to this paragraph.

(d) A school district to enter into an agreement pursuant to this paragraph with any party other than a master planned community party. Any land area consisting of at least three hundred twenty acres that is the subject of a development agreement with a county, city or town entered into pursuant to section 9-500.05 or 11-1101 shall be deemed to be a master planned community. For the purposes of this subdivision, "master planned community" means a land area consisting of at least three hundred twenty acres, which may be noncontiguous, that is the subject of a zoning ordinance approved by the governing body of the county, city or town in which the land is located that establishes the use of the land area as a planned area development or district, planned community development or district, planned unit development or district or other land use category or district that is recognized in the local ordinance of such county, city or town and that specifies the use of such land is for a master planned development.

34. Enter into an intergovernmental agreement with a presiding judge of the juvenile court to implement a law-related education program as defined in section 15-154. The presiding judge of the juvenile court may assign juvenile probation officers to participate in a law-related education program in any school district in the county. The cost of juvenile probation officers who participate in the program implemented pursuant to this paragraph shall be funded by the school district.

35. Offer to sell outdated learning materials, educational equipment or furnishings at a posted price commensurate with the value of the items to pupils who are currently enrolled in that school district before those materials are offered for public sale.

36. If the school district is a small school district as defined in section 15-901, and if **permitted ALLOWED** by federal law, opt out of federal grant opportunities if the governing board determines that the federal requirements impose unduly burdensome reporting requirements.

37. Prescribe and enforce policies and procedures for the emergency administration of inhalers by trained employees of the school district and nurses who are under contract with the school district pursuant to section 15-158.

38. Develop policies and procedures to allow principals to budget for or assist with budgeting federal, state and local monies.

Sec. 12. Title 15, chapter 3, article 3, Arizona Revised Statutes, is amended by adding section 15-342.05, to read:

15-342.05. Face coverings; requirement prohibition

A. NOTWITHSTANDING ANY OTHER LAW OR ORDER, A COUNTY, CITY, TOWN, SCHOOL DISTRICT GOVERNING BOARD OR CHARTER SCHOOL GOVERNING BODY MAY NOT REQUIRE THE USE OF FACE COVERINGS BY STUDENTS OR STAFF DURING SCHOOL HOURS AND ON SCHOOL PROPERTY.

B. A SCHOOL DISTRICT OR CHARTER SCHOOL MAY NOT REQUIRE A STUDENT OR TEACHER TO RECEIVE A VACCINE FOR COVID-19 OR TO WEAR A FACE COVERING TO PARTICIPATE IN IN-PERSON INSTRUCTION.

Sec. 13. Section 15-350, Arizona Revised Statutes, as amended by Laws 2021, chapter 2, section 4, is amended to read:

15-350. Investigation of immoral or unprofessional conduct; confidentiality; definition

A. On request of the state board of education or the department of education, any school or school district that has employed a certificated or noncertificated person during the time in which the person is alleged to have engaged in conduct constituting grounds for disciplinary action shall make available the attendance and testimony of witnesses, documents and any physical evidence within the school district's control for examination or copying. All information received and records or reports kept by the state board of education or the department of education during an investigation of immoral or unprofessional conduct are confidential and are not a public record.

B. Notwithstanding subsection A of this section, the **department STATE BOARD** of education may provide information, records or reports relating to the investigation of a certificated or noncertificated person to any of the following:

1. Any school or school district that currently employs the certificated or noncertificated person.
2. Any school or school district to which the certificated or noncertificated person has applied for employment.
3. Any third-party entity that contracts with a school or school district to provide educators and to which the person has applied for employment.
4. Any agency as defined in section 41-1001 that has received and is investigating an application by the certificated or noncertificated person for a certificate or license or that is **conducting an investigation of INVESTIGATING** the person in order to make a certification or licensure decision.

5. A state education agency in another state, or the equivalent, with which a person holds a certificate or is applying for a certificate.

C. All information, records and reports received by any school or school district pursuant to this section shall be used for employment purposes only, are confidential and are not a public record.

D. An investigator who is regularly employed and paid by the ~~department~~ **STATE BOARD** of education has the authority to access criminal history records and criminal history record information, as defined in section 41-1750, from law enforcement agencies.

E. THE DEPARTMENT OF EDUCATION SHALL PROVIDE TO THE STATE BOARD OF EDUCATION ACCESS TO THE EDUCATOR INFORMATION SYSTEM MAINTAINED BY THE DEPARTMENT AND ANY RELATED SYSTEMS DEEMED NECESSARY BY THE BOARD TO INVESTIGATE AND ADJUDICATE ALLEGATIONS OF CONDUCT CONSTITUTING GROUNDS FOR DISCIPLINARY ACTION.

~~E:~~ F. For the purposes of this section, "noncertificated person" has the same meaning prescribed in section 15-505.

Sec. 14. Section 15-393, Arizona Revised Statutes, is amended to read:

15-393. Career technical education district governing board; report; definitions

A. The management and control of a career technical education district are vested in the career technical education district governing board, including the content and quality of the courses offered by the district, the quality of teachers who provide instruction on behalf of the district, the salaries of teachers who provide instruction on behalf of the district and the reimbursement of other entities for the facilities used by the district. This section does not restrict a school district from offering any career and technical education course that does not qualify for funding as a career technical education course or career technical education district program. Unless the governing boards of the school districts participating in the formation of the career technical education district vote to implement an alternative election system as provided in subsection B of this section, the career technical education board ~~shall consist~~ **CONSISTS** of five members elected from five single member districts formed within the career technical education district. The single member district election system shall be submitted as part of the plan for the career technical education district pursuant to section 15-392 and shall be established in the plan as follows:

1. The governing boards of the school districts participating in the formation of the career technical education district shall define the boundaries of the single member districts so that the single member districts are as nearly equal in population as is practicable, except that if the career technical education district lies in part in each of two or more counties, at least one single member district may be entirely within each of the counties comprising the career technical education district if this district design is consistent with the obligation to equalize the population among single member districts.

2. The boundaries of each single member district shall follow election precinct boundary lines, as far as practicable, in order to avoid further segmentation of the precincts.

3. A person who is a registered voter of this state and who is a resident of the single member district is eligible for election to the office of career technical education board member from the single member district. The terms of office of the members of the career technical education board shall be as prescribed in section 15-427, subsection B. An employee of a career technical education district or the spouse of an employee shall not hold membership on a governing board of a career technical education district by which the employee is employed. A member of one school district governing board or career technical education district governing board is ineligible to be a candidate for nomination or election to or serve simultaneously as a member of any other governing board, except that a member of a governing board may be a candidate for nomination or election for any other governing board if the member is serving in the last year of a term of office. A member of a governing board shall resign the member's seat on the governing board before becoming a candidate for nomination or election to the governing board of any other school district or career technical education district, unless the member of the governing board is serving in the last year of a term of office. Members of a career technical education district governing board are subject to the conflict of interest requirements prescribed in section 38-503.

4. Nominating petitions shall be signed by the number of qualified electors of the single member district as provided in section 16-322.

B. The governing boards of the school districts participating in the formation of the career technical education district may vote to implement any other alternative election system for the election of career technical education district board members. If an alternative election system is selected, it shall be submitted as part of the plan for the career technical education district pursuant to section 15-392, and the implementation of the system shall be as approved by the United States justice department.

C. ~~The Career technical education district shall be~~ **DISTRICTS ARE** subject to the following provisions of this title:

1. Chapter 1, articles 1 through 6.
2. Sections 15-208, 15-210, 15-213 and 15-234.
3. Articles 2, 3 and 5 of this chapter.
4. Section 15-361.

5. Chapter 4, articles 1, 2 and 5.
6. Chapter 5, articles 1 and 3.
7. Sections 15-701.01, 15-722, 15-723, 15-724, 15-727, 15-728, 15-729 and 15-730.
8. Chapter 7, article 5.
9. Chapter 8, articles 1, 3 and 4.
10. Sections 15-828 and 15-829.
11. Chapter 9, article 1, article 6, except for section 15-995, and article 7.
12. Sections 15-941, 15-943.01, 15-952, 15-953 and 15-973.
13. Sections 15-1101 and 15-1104.
14. Chapter 10, articles 2, 3, 4 and 8.

D. Notwithstanding subsection C of this section, the following apply to a career technical education district:

1. A career technical education district may issue bonds for the purposes specified in section 15-1021 and in chapter 4, article 5 of this title to an amount in the aggregate, including the existing indebtedness, not exceeding one percent of the net assessed value of the full cash value of the property within the career technical education district. For the purposes of this paragraph, "full cash value" and "net assessed value" have the same meanings prescribed in section 42-11001.

2. The number of governing board members for a career technical education district shall be as prescribed in subsection A of this section.

3. The student count for the first year of operation of a career technical education district as provided in this article shall be determined as follows:

(a) Determine the estimated student count for career technical education district classes that will operate in the first year of operation. This estimate shall be based on actual registration of pupils as of March 30 scheduled to attend classes that will be operated by the career technical education district. The student count for the school district of residence of the pupils registered at the career technical education district shall be adjusted. The adjustment shall cause the school district of residence to reduce the student count for the pupil to reflect the courses to be taken at the career technical education district. The school district of residence shall review and approve the adjustment of its own student count as provided in this subdivision before the pupils from the school district can be added to the student count of the career technical education district.

(b) The student count for the new career technical education district shall be the student count as determined in subdivision (a) of this paragraph.

(c) For the first year of operation, the career technical education district shall revise the student count to the actual average daily membership as prescribed in section 15-901, subsection A, paragraph 1 for students attending classes in the career technical education district. A career technical education district shall revise its student count, the base support level as provided in section 15-943.02, the revenue control limit as provided in section 15-944.01 and the district additional assistance as provided in section 15-962.01 before May 15. A career technical education district that overestimated its student count shall revise its budget before May 15. A career technical education district that underestimated its student count may revise its budget before May 15.

(d) After March 15 of the first year of operation, the school district of residence shall adjust its student count by reducing it to reflect the courses actually taken at the career technical education district. The school district of residence shall revise its student count, the base support level as provided in section 15-943, the revenue control limit as provided in section 15-944 and the district additional assistance as provided in section 15-962.01 prior to May 15. A district that underestimated the student count for students attending the career technical education district shall revise its budget before May 15. A district that overestimated the student count for students attending the career technical education district may revise its budget before May 15.

(e) The procedures for implementing this paragraph shall be as prescribed in the uniform system of financial records.

~~(f) Pupils in an approved career technical education district centralized program may generate an average daily membership of 1.0 during any day of the week and at any time between July 1 and June 30 of each fiscal year.~~

For the purposes of this paragraph, "school district of residence" means the school district that included the pupil in its average daily membership for the year before the first year of operation of the career technical education district and that would have included the pupil in its student count for the purposes of computing its base support level for the fiscal year of the first year of operation of the career technical education district if the pupil had not enrolled in the career technical education district.

4. A student includes any person enrolled in the career technical education district without regard to the person's age or high school graduation status, except that:

(a) A student in a kindergarten program or in any of grades one through ~~nine~~ **EIGHT** who enrolls in courses offered by the career technical education district shall not be included in the career technical education district's student count or average daily membership.

(b) A student in a kindergarten program or in any of grades one through ~~nine~~ **EIGHT** who is enrolled in career and technical education courses shall not be funded in whole or in part with monies provided by a career

technical education district, except that a pupil in grade eight ~~or nine~~ may be funded with monies generated by the ~~five-cent~~ **\$.05** qualifying tax rate authorized in subsection F of this section.

(c) A student who has graduated from high school or received a general equivalency diploma or who is over twenty-one years of age shall not be included in the student count of the career technical education district for the purposes of chapter 9, articles 3, 4 and 5 of this title.

~~(d) A student who is enrolled in any internship course as part of a career technical education district program shall not be included in the student count of the career technical education district for that internship course for the purposes of chapter 9, articles 3, 4 and 5 of this title.~~

5. A career technical education district may operate for more than one hundred eighty days per year, with expanded hours of service.

6. A career technical education district may use the carryforward provisions of section 15-943.01.

7. A school district that is part of a career technical education district shall use any monies received pursuant to this article to supplement and not supplant base year career and technical education courses, and directly related equipment and facilities, except that a school district that is part of a career technical education district and that has used monies received pursuant to this article to supplant career and technical education courses that were offered before the first year that the school district participated in the career technical education district or the first year that the school district used monies received pursuant to this article or that used the monies for purposes other than for career and technical education courses shall use one hundred percent of the monies received pursuant to this article to supplement and not supplant base year career and technical education courses. Each applicable school district shall provide a report to the career technical education board and the department of education outlining the required maintenance of effort and how monies were used to supplement and not supplant base year career and technical education courses and directly related equipment and facilities.

8. A career technical education district shall use any monies received pursuant to this article to enhance and not supplant career and technical education courses and directly related equipment and facilities.

9. A career technical education district or a school district that is part of a career technical education district or a charter school shall only include pupils in grades ~~ten~~ **NINE** through twelve **AND PUPILS IN THE SCHOOL YEAR IMMEDIATELY FOLLOWING GRADUATION** in the calculation of student count or average daily membership if the pupils are enrolled in courses that are approved jointly by the governing board of the career technical education district and each participating school district or charter school for satellite courses taught within the participating school district or charter school, or approved solely by the career technical education district for centrally located courses. **FUNDING MAY BE PROVIDED FOR NOT MORE THAN FOUR YEARS FOR THE SAME STUDENT.** Student count and average daily membership from courses that are not part of an approved program for career and technical education shall not be included in student count and average daily membership of a career technical education district.

E. The career technical education board shall appoint a superintendent as the executive officer of the career technical education district.

F. Taxes may be levied for the support of the career technical education district as prescribed in chapter 9, article 6 of this title, except that a career technical education district shall not levy a property tax pursuant to law that exceeds ~~five cents~~ **\$.05** per ~~one hundred dollars~~ **\$100** assessed valuation except for bond monies pursuant to subsection D, paragraph 1 of this section. Except for the taxes levied pursuant to section 15-994, such taxes shall be obtained from a levy of taxes on the taxable property used for secondary tax purposes.

G. The schools in the career technical education district are available to all persons who reside in the career technical education district and to pupils whose school district of residence within this state is paying tuition on behalf of the pupils to a district of attendance that is a member of the career technical education district, subject to the rules for admission prescribed by the career technical education board.

H. The career technical education board may collect tuition for adult students and the attendance of pupils who are residents of school districts that are not participating in the career technical education district pursuant to arrangements made between the governing board of the school district and the career technical education board.

I. The career technical education board may accept gifts, grants, federal monies, tuition and other allocations of monies to erect, repair and equip buildings and for the cost of ~~operation of~~ **OPERATING** the schools of the career technical education district.

J. One member of the career technical education board shall be selected chairman. The chairman shall be selected annually on a rotation basis from among the participating school districts. The chairman of the career technical education board shall be a voting member.

K. A career technical education board and a community college district may enter into agreements **TO PROVIDE** for ~~the provision of~~ administrative, operational and educational services and facilities.

L. Any agreement between the governing board of a career technical education district and another career technical education district, a school district, a charter school or a community college district shall be in the form of an intergovernmental agreement or other written contract. The auditor general shall modify the uniform system of financial records and budget forms in accordance with this subsection. The intergovernmental agreement or other written contract shall completely and accurately specify each of the following:

1. The financial provisions of the intergovernmental agreement or other written contract and the format for the billing of all services.
 2. The accountability provisions of the intergovernmental agreement or other written contract.
 3. The responsibilities of each career technical education district, each school district, each charter school and each community college district that is a party to the intergovernmental agreement or other written contract.
 4. The type of instruction that will be provided under the intergovernmental agreement or other written contract, including individualized education programs pursuant to section 15-763.
 5. The quality of the instruction that will be provided under the intergovernmental agreement or other written contract.
 6. The transportation services that will be provided under the intergovernmental agreement or other written contract and the manner in which transportation costs will be paid.
 7. The amount that the career technical education district will contribute to a course and the amount of support required by the school district, **THE CHARTER SCHOOL** or the community college.
 8. That the services provided by the career technical education district, the school district, the charter school or the community college district be proportionally calculated in the cost of delivering the service.
 9. That the payment for services shall not exceed the cost of the services provided.
 10. That the career technical education district will provide the following minimum services for all member districts:
 - (a) Professional development of career and technical teachers in the career technical education district who are teaching programs or courses at a satellite campus.
 - (b) Ongoing evaluation and support of satellite campus programs and courses to ensure quality and compliance.
 11. An itemized listing of other goods and services that are provided to the member district and that are paid for by the retention of satellite campus student funding.
- M. A member school district or charter school may not submit requests ~~for the approval~~ **TO APPROVE** or ~~addition of~~ **ADD** satellite campus career technical education district programs or courses directly to the career and technical education division of the department of education, but shall submit all appropriate application documentation and materials for programs or courses to the career technical education district. On approval from the career technical education board, a career technical education district shall only submit requests ~~for the approval~~ **TO APPROVE** or ~~addition of~~ **ADD** satellite campus career technical education district programs or courses directly to the career and technical education division of the department of education, which shall determine whether the criteria prescribed in section 15-391, paragraphs 2 and 4 have been met. If the career and technical education division of the department of education determines that a course does not meet the criteria for approval as a career technical education course, the governing board of the career technical education district may appeal this decision to the state board of education acting as the state board of vocational education.
- N. Notwithstanding any other law, the average daily membership for a pupil who is enrolled in a career technical education course and who does not meet the criteria specified in subsection P or Q of this section shall be 0.25 for each course, except the sum of the average daily membership shall not exceed the limits prescribed by subsection D, P or Q of this section, as applicable.
- O. If a career and technical education course or program is provided on a satellite campus, the sum of the average daily membership, as provided in section 15-901, subsection A, paragraph 1, for that pupil in the school district or charter school and career technical education district shall not exceed 1.25. The school district or charter school and the career technical education district shall determine the apportionment of the average daily membership for that pupil between the school district or charter school and the career technical education district. A pupil who attends a course or program at a satellite campus and who is not enrolled in the school district or charter school where the satellite campus is located may generate the average daily membership pursuant to this subsection if the pupil is enrolled in a school district that is a member district in the same career technical education district.
- P. The sum of the average daily membership of a pupil who is enrolled in both the school district and career technical education course or career technical education program provided ~~at~~ **BY** a community college pursuant to subsection K of this section or at a centralized campus shall not exceed 1.75. The member school district and the career technical education district shall determine the apportionment of the average daily membership and student enrollment for that pupil between the member school district and the career technical education district, except that the amount apportioned shall not exceed 1.0 for either entity. Notwithstanding any other law, the average daily membership for a pupil **WHO IS** in grade **NINE**, ten, eleven or twelve **OR IN THE SCHOOL YEAR IMMEDIATELY FOLLOWING GRADUATION AND** who is enrolled in a course that meets for at least one hundred fifty minutes per class period at a centralized campus shall be 0.75. **STUDENTS IN AN APPROVED CAREER TECHNICAL EDUCATION DISTRICT CENTRALIZED CAMPUS PROGRAM MAY GENERATE AN AVERAGE DAILY MEMBERSHIP DURING ANY DAY OF THE WEEK AND AT ANY TIME BETWEEN JULY 1 AND JUNE 30 OF EACH FISCAL YEAR.** To qualify for funding pursuant to this subsection, a centralized campus shall offer programs and courses to all eligible students in each member district of the career technical education district.

Q. The average daily membership for a pupil WHO IS in grade NINE, ten, eleven or twelve OR IN THE SCHOOL YEAR IMMEDIATELY FOLLOWING GRADUATION AND who is enrolled in a course that meets for at least one hundred fifty minutes per class period at a leased centralized campus shall not exceed 0.75. STUDENTS IN AN APPROVED CAREER TECHNICAL EDUCATION DISTRICT LEASED CAMPUS CENTRALIZED PROGRAM MAY GENERATE AN AVERAGE DAILY MEMBERSHIP DURING ANY DAY OF THE WEEK AND AT ANY TIME BETWEEN JULY 1 AND JUNE 30 OF EACH FISCAL YEAR. The sum of the average daily membership, as provided in section 15-901, subsection A, paragraph 1, of a pupil who is enrolled in both the school district and in career technical education courses provided at a leased centralized campus shall not exceed 1.75 if all of the following conditions are met:

1. The course qualifies as a career technical education course.
2. The course is offered to all eligible students in each member district of the career technical education district and enrolls students from multiple high schools.

3. The career technical education district program in which the course is included addresses a specific industry need and has been developed in cooperation with that industry, or the leased facility is a state or federal asset that would otherwise be unused or underutilized.

4. The lease is established at fair market value if the lease is executed for a facility located on the site of a member district and was approved by the joint committee on capital review, except that a lease that was executed or renewed before December 31, 2012 is not subject to approval by the joint committee on capital review.

R. A student who is enrolled in an accommodation school may be treated as a student of the school district in which the student physically resides for the purposes of enrollment in a career technical education district and shall be included in the calculation of average daily membership for either the career technical education district or the accommodation school, or both.

S. Notwithstanding any other law, the student count for a career technical education district shall be equivalent to the career technical education district's average daily membership.

T. A school district or charter school may not prohibit or discourage students who are enrolled in that school district or charter school from attending courses offered by a career technical education district, including requiring students to generate a full 1.0 average daily membership or to enroll in more courses than are needed to graduate before enrolling in and attending programs or courses offered by a career technical education district.

U. The governing board of the career technical education district may contract with any charter school that is located within the boundaries of the career technical education district to allow that charter school to offer career and technical education courses or programs as a satellite campus.

V. Beginning in 2020 and every five years thereafter, the career and technical education division of the department of education shall review career technical education district programs and career technical education courses to ensure compliance, quality and eligibility. Any program or course deemed to not meet the requirements set forth by law shall not be funded for the current school year and shall be removed from the approved program and course list for the purposes of funding. The career and technical education division may establish a staggered schedule for reviewing each career technical education district.

W. NOTWITHSTANDING SUBSECTION D, PARAGRAPHS 4 AND 9 AND SUBSECTIONS P AND Q OF THIS SECTION, FOR A STUDENT IN GRADE NINE, FUNDING SHALL BE PROVIDED PURSUANT TO THIS SECTION ONLY IF THE STUDENT REACHES THE FORTIETH DAY OF GRADE ELEVEN ENROLLED IN AN APPROVED CAREER TECHNICAL EDUCATION PROGRAM AND MEETS THE REQUIREMENTS PRESCRIBED IN SUBSECTION Y OF THIS SECTION. AT THAT TIME FUNDING SHALL BE PROVIDED FOR THAT STUDENT FOR GRADE NINE AND FOR ANY SUBSEQUENT YEAR IN WHICH THE STUDENT IS ELIGIBLE FOR FUNDING PURSUANT TO THIS SECTION.

X. ON OR BEFORE SEPTEMBER 1 OF EACH YEAR, THE OFFICE OF ECONOMIC OPPORTUNITY IN COLLABORATION WITH THE DEPARTMENT OF EDUCATION SHALL COMPILE AN IN-DEMAND REGIONAL EDUCATION LIST OF THE APPROVED CAREER TECHNICAL EDUCATION PROGRAMS THAT LEAD TO A CAREER PATH IN HIGH DEMAND WITH MEDIAN-TO-HIGH-WAGE JOBS IN THAT REGION. THE OFFICE OF ECONOMIC OPPORTUNITY SHALL INCORPORATE INDUSTRY FEEDBACK AS PART OF DEVELOPING THE IN-DEMAND REGIONAL EDUCATIONAL LIST. THE OFFICE OF ECONOMIC OPPORTUNITY SHALL SUBMIT THE IN-DEMAND REGIONAL EDUCATION LIST TO THE ARIZONA CAREER AND TECHNICAL EDUCATION QUALITY COMMISSION FOR REVIEW AND APPROVAL.

Y. NOTWITHSTANDING SUBSECTION D, PARAGRAPHS 4 AND 9 AND SUBSECTIONS P AND Q OF THIS SECTION, FOR A STUDENT IN GRADE NINE OR IN THE SCHOOL YEAR IMMEDIATELY FOLLOWING GRADUATION, FUNDING SHALL BE PROVIDED PURSUANT TO THIS SECTION ONLY IF THE STUDENT IS ENROLLED IN A PROGRAM THAT WAS INCLUDED ON THE IN-DEMAND REGIONAL EDUCATION LIST COMPILED PURSUANT TO SUBSECTION X OF THIS SECTION FOR THAT STUDENT'S REGION FOR THE YEAR IN WHICH THE STUDENT BEGAN THE PROGRAM.

~~W~~. Z. For the purposes of this section:

1. "Base year" means the complete school year in which voters of a school district elected to join a career technical education district.

2. "Centralized campus" means a facility that is owned and operated by a career technical education district ~~for the purpose of offering~~ **TO OFFER** career technical education district programs or career technical education courses.

3. "Lease" means a written agreement in which the right ~~of occupancy~~ **TO OCCUPY** or use ~~of~~ real property is conveyed from one person or entity to another person or entity for a specified period of time.

4. "Leased centralized campus" means a facility that is leased and operated by a career technical education district ~~for the purpose of offering~~ **TO OFFER** career technical education district programs or career technical education courses.

5. "Satellite campus" means a facility that is owned or operated by a school district or charter school ~~for the purpose of offering~~ **TO OFFER** career technical education district programs or career technical education courses.

Sec. 15. Section 15-393.01, Arizona Revised Statutes, is amended to read:

15-393.01. Career technical education districts; annual report; performance and accountability

A. The department of education shall include each career technical education district in the department's annual achievement profiles required by section 15-241. Subject to approval by the state board of education, the department of education shall develop specific criteria applicable to career technical education districts that may not be based solely on the criteria prescribed in the Carl D. Perkins vocational education act, as amended by the Carl D. Perkins vocational and applied technology education act amendments of 1990, as amended by the Carl D. Perkins vocational and technical education act of 1998, and shall include career technical education districts in the letter grade classification system prescribed in section 15-241. The department shall include all of the following performance indicators in the annual achievement profiles and letter grade classification and provide a copy of the information to each career technical education district governing board:

1. The graduation rate of all students enrolled in a career and technical education program or course.

2. The completion rate for each program offered by the career technical education district.

3. Performance on assessments required pursuant to section 15-391, paragraph 4, subdivision (b).

4. Postgraduation employment rates, postsecondary enrollment rates and military service rates for students who complete a career and technical education program.

B. A career technical education district is subject to the performance audits pursuant to section 41-1279.03, subsection A, paragraph 9. The auditor general shall consider the differences and applicable laws for a career technical education district when conducting a performance audit for a career technical education district.

C. On or before December 31 of each year, the career and technical education division of the department of education shall submit a career technical education district annual report to the governor, the president of the senate and the speaker of the house of representatives and shall submit a copy of this report to the secretary of state. The career and technical education division of the department of education shall submit a copy of this report to the joint legislative budget committee for review. The annual report shall include the following:

1. The average daily membership of each career technical education district, including the average daily membership of each centralized campus, satellite campus and leased centralized campus as defined in section 15-393.

2. The actual student count of each career technical education district, including the student count of each centralized campus, satellite campus and leased centralized campus as defined in section 15-393.

3. The programs and corresponding courses offered by each career technical education district, including the location of each program and course.

4. For each career technical education district based on program or course location:

(a) The student enrollment of each program and corresponding course.

(b) The percentage of students who enrolled in the second year of each program and corresponding course relative to the number of students in the same cohort who enrolled in the first year of each program and corresponding course.

(c) The percentage of students who completed each program relative to the number of students in the same cohort who began the program.

5. The costs associated with each program offered by the career technical education district.

6. A listing of any programs or courses that were discontinued by review of the career and technical education division pursuant to section 15-393, subsection V.

7. A listing of any programs or courses that were continued by review of the career and technical education division pursuant to section 15-393, subsection V.

8. A listing of any programs or courses that were added by the career and technical education division.

9. For applicable school districts, the required maintenance of effort and how monies were used to supplement and not supplant base year career and technical education courses, including expenditures related to personnel, equipment and facilities.

10. FOR STUDENTS WHO MEET THE REQUIREMENTS TO RECEIVE FUNDING PURSUANT TO SECTION 15-393, SUBSECTION W, STUDENTS ENROLLED IN AN INTERNSHIP COURSE AND STUDENTS ENROLLED IN THE YEAR IMMEDIATELY FOLLOWING GRADUATION, A SEPARATE LISTING OF THE FOLLOWING INFORMATION FOR EACH DISTRICT:

(a) AVERAGE DAILY MEMBERSHIP.

- (b) THE ACTUAL STUDENT COUNT.
- (c) ENROLLMENT BY COURSE OR PROGRAM AND PERSISTENCE AT EACH GRADE LEVEL TOWARD COMPLETION OF THE PROGRAM.
- (d) THE PERCENTAGE OF STUDENTS WHO COMPLETED EACH PROGRAM.
- (e) THE NUMBER OF CERTIFICATIONS AND LICENSES EARNED BY STUDENTS DELINEATED BY THOSE WHO ATTENDED A SATELLITE PROGRAM AND THOSE WHO ATTENDED A CENTRALIZED CAMPUS.

~~10~~ 11. Any other data or information deemed necessary by the department of education.

D. The office of the auditor general, in consultation with the department of education, shall develop and establish uniform cost reporting guidelines, policies and procedures for career technical education district programs. Any guideline, policy or procedure shall allow for the effective comparison of cost between career technical education district programs.

Sec. 16. Section 15-481, Arizona Revised Statutes, is amended to read:

~~15-481.~~ **Override election; budget increases; informational pamphlet; notice; ballot; effect**

A. If a proposed budget of a school district exceeds the aggregate budget limit for the budget year, at least ninety days before the proposed election the governing board shall order an override election to be held on the first Tuesday following the first Monday in November as prescribed by section 16-204, subsection F for the purpose of presenting the proposed budget to the qualified electors of the school district who by a majority of those voting either shall affirm or reject the budget. At the same time as the order of the election, the governing board shall publicly declare the deadline for submitting arguments, as set by the county school superintendent pursuant to subsection B, paragraph 9 of this section, to be submitted in the informational pamphlet and shall immediately post the deadline in a prominent location on the district's website. In addition, the governing board shall prepare an alternate budget that does not include an increase in the budget of more than the amount ~~permitted~~ **ALLOWED** as provided in section 15-905. If the qualified electors approve the proposed budget, the governing board of the school district shall follow the procedures prescribed in section 15-905 for adopting a budget that includes the authorized increase. If the qualified electors disapprove the proposed budget, the governing board shall follow the procedures prescribed in section 15-905 for adopting a budget that does not include the proposed increase or the portion of the proposed increase that exceeds the amount authorized by a previously approved budget increase as prescribed in subsection P of this section.

B. The county school superintendent shall prepare an informational pamphlet on the proposed increase in the budget and a sample ballot and, at least forty days ~~prior to~~ **BEFORE** the election, shall transmit the informational pamphlet and the sample ballot to the governing board of the school district. The governing board, on receipt of the informational pamphlet and the ballot, shall mail or distribute the informational pamphlet and the ballot to the households in which qualified electors reside within the school district at least thirty-five days ~~prior to~~ **BEFORE** the election. Any distribution of material concerning the proposed increase in the budget shall not be conducted by children enrolled in the school district. The informational pamphlet shall contain the following information:

1. The date of the election.
2. The voter's polling place and the times it is open.
3. The proposed total increase in the budget that exceeds the amount permitted pursuant to section 15-905.
4. The total amount of the current year's budget, the total amount of the proposed budget and the total amount of the alternate budget.
5. If the override is for a period of more than one year, a statement indicating the number of years the proposed increase in the budget would be in effect and the percentage of the school district's revenue control limit that the district is requesting for the future years.
6. The proposed total amount of revenues that will fund the increase in the budget and the amount that will be obtained from a levy of taxes on the taxable property within the school district for the first year for which the budget increase was adopted.
7. The proposed amount of revenues that will fund the increase in the budget and that will be obtained from other than a levy of taxes on the taxable property within the school district for the first year for which the budget increase was adopted.
8. The dollar amount and the purpose for which the proposed increase in the budget is to be expended for the first year for which the budget increase was adopted. The purpose statement shall only present factual information in a neutral manner. Advocacy for the expenditures is strictly limited to the arguments submitted pursuant to paragraph 9 of this subsection.
9. At least two arguments, if submitted, but ~~no~~ **NOT** more than ten arguments for and two arguments, if submitted, but ~~no~~ **NOT** more than ten arguments against the proposed increase in the budget. The arguments shall be in a form prescribed by the county school superintendent, and each argument shall not exceed two hundred words. Arguments for the proposed increase in the budget shall be provided in writing and signed by the governing board. The ballot arguments for the proposed increase in the budget shall be signed as the governing board of the school district without listing any member's individual name for the arguments for the proposed increase. If submitted, additional arguments in favor of the proposed increase in the budget shall be

provided in writing and signed by those in favor. Arguments against the proposed increase in the budget shall be provided in writing and signed by those in opposition. The names of persons and entities submitting written arguments shall be included in the informational pamphlet. The county school superintendent shall review all factual statements contained in the written arguments and correct any inaccurate statements of fact. The superintendent shall not review and correct any portion of the written arguments that are identified as statements of the author's opinion. The county school superintendent shall make the written arguments available to the public as provided in title 39, chapter 1, article 2. A deadline for submitting arguments to be included in the informational pamphlet shall be set by the county school superintendent.

10. A statement that the alternate budget shall be adopted by the governing board if the proposed budget is not adopted by the qualified electors of the school district.

11. The current limited property value and the net assessed valuation provided by the department of revenue, the first year tax rate for the proposed override and the estimated amount of the secondary property taxes if the proposed budget is adopted for each of the following:

(a) An owner-occupied residence whose assessed valuation is the average assessed valuation of property classified as class three, as prescribed by section 42-12003 for the current year in the school district.

(b) An owner-occupied residence whose assessed valuation is one-half of the assessed valuation of the residence in subdivision (a) of this paragraph.

(c) An owner-occupied residence whose assessed valuation is twice the assessed valuation of the residence in subdivision (a) of this paragraph.

(d) A business whose assessed valuation is the average of the assessed valuation of property classified as class one, as prescribed by section 42-12001, paragraphs 12 and 13 for the current year in the school district.

12. If the election is conducted pursuant to subsection L or M of this section, the following information:

(a) An executive summary of the school district's most recent capital improvement plan submitted to the school facilities **OVERSIGHT** board.

(b) A complete list of each proposed capital improvement that will be funded with the budget increase and a description of the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities **OVERSIGHT** board.

(c) The tax rate associated with each of the proposed capital improvements and the estimated cost of each capital improvement for the owner of a single family home that is valued at ~~eighty thousand dollars~~ **\$80,000**.

C. For the purpose of this section, the school district may use its staff, equipment, materials, buildings or other resources only to distribute the informational pamphlet at the school district office or at public hearings and to produce such information as required in subsection B of this section. ~~, provided that nothing in~~ This subsection ~~shall~~ **DOES NOT** preclude school districts from holding or participating in any public hearings at which testimony is given by at least one person for the proposed increase and one person against the proposed increase. Any written information provided by the district pertaining to the override election shall include financial information showing the estimated first year tax rate for the proposed budget override amount.

D. If any amount of the proposed increase will be funded by a levy of taxes in the district, the election prescribed in subsection A of this section shall be held on the first Tuesday following the first Monday in November as prescribed by section 16-204, subsection F. If the proposed increase will be fully funded by revenues from other than a levy of taxes, the elections prescribed in subsection A of this section shall be held on any date prescribed by section 16-204. The elections shall be conducted as nearly as practicable in the manner prescribed in article 1 of this chapter, sections 15-422 through 15-424 and section 15-426, relating to special elections, except that:

1. The notices required pursuant to section 15-403 shall be posted not less than twenty-five days before the election.

2. Ballots shall be counted pursuant to title 16, chapter 4, article 10.

E. If the election is to exceed the revenue control limit and if the proposed increase will be fully funded by a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice. The ballot shall also contain the amount of the proposed increase of the proposed budget over the alternate budget, a statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, if applicable, as provided in subsection P of this section and the following statement:

Any budget increase authorized by this election shall be entirely funded by a levy of taxes on the taxable property within this school district for the year for which adopted and for ___ subsequent years, shall not be realized from monies furnished by the state and shall not be subject to the limitation on taxes specified in article IX, section 18, Constitution of Arizona. Based on the current net assessed valuation used for secondary property tax purposes, to fund the proposed increase in the school district's budget would require an estimated tax rate of **\$ _____ dollar** per ~~one hundred dollars~~ **\$100** of net assessed valuation used for secondary property tax purposes and is in addition to the school district's tax rate that will be levied to fund the school district's revenue control limit allowed by law.

F. If the election is to exceed the revenue control limit and if the proposed increase will be fully funded by revenues from other than a levy of taxes on the taxable property within the school district, the ballot shall contain

the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice. The ballot shall also contain:

1. The amount of the proposed increase of the proposed budget over the alternate budget.
2. A statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, if applicable, as provided in subsection P of this section.
3. The following statement:

Any budget increase authorized by this election shall be entirely funded by this school district with revenues from other than a levy of taxes on the taxable property within the school district for the year for which adopted and for _____ subsequent years and shall not be realized from monies furnished by the state.

G. Except as provided in subsection H of this section, the maximum budget increase that may be requested and authorized as provided in subsection E or F of this section or the combination of subsections E and F of this section is fifteen percent of the revenue control limit as provided in section 15-947, subsection A for the budget year. If a school district requests an override pursuant to section 15-482 or to continue with a budget override pursuant to section 15-482 for pupils in kindergarten programs and grades one through three that was authorized before December 31, 2008, the maximum budget increase that may be requested and authorized as provided in subsection E or F of this section or the combination of subsections E and F of this section is ten percent of the revenue control limit as provided in section 15-947, subsection A for the budget year.

H. Special budget override provisions for school districts with a student count of less than one hundred fifty-four in kindergarten programs and grades one through eight or with a student count of less than one hundred seventy-six in grades nine through twelve are as follows:

1. The maximum budget increase that may be requested and authorized as provided in subsections E and F of this section is the greater of the amount prescribed in subsection G of this section or a limit computed as follows:

(a) For common or unified districts with a student count of less than one hundred fifty-four in kindergarten programs and grades one through eight, the limit computed as prescribed in item (i) or (ii) of this subdivision, whichever is appropriate:

(i)

Small School Student Count	Support Level Student Count	Weight for Small Isolated School Districts	Phase Down Reduction Base Level	Factor
<u>Count</u>	<u>Count</u>	<u>Limit</u>	<u>School Districts</u>	<u>Base Level</u>
- 125	x 1.358	+ (0.0005 x	x \$ = \$	
(500 - Student Count))				

Small Isolated

Phase Down Base	Phase Down Reduction Factor	School District Elementary Limit
<u>\$150,000</u>	- \$ = \$	

(ii)

Small School Student Count	Support Level Student Count	Weight for Small School Districts	Phase Down Reduction Base Level	Factor
<u>Count</u>	<u>Count</u>	<u>Limit</u>	<u>School Districts</u>	<u>Base Level</u>
- 125	x 1.278	+ (0.0003 x	x \$ = \$	
(500 - Student Count))				

Small

Phase Down Base	Phase Down Reduction Factor	School District Elementary Limit
<u>\$150,000</u>	- \$ = \$	

(b) For unified or union high school districts with a student count of less than one hundred seventy-six in grades nine through twelve, the limit computed as prescribed in item (i) or (ii) of this subdivision, whichever is appropriate:

(i)

Small School Student Count	Support Level Student Count	Weight for Small Isolated School Districts	Phase Down Reduction Base Level	Factor
<u>Count</u>	<u>Count</u>	<u>Limit</u>	<u>School Districts</u>	<u>Base Level</u>
- 100	x 1.468	+ (0.0005 x	x \$ = \$	
(500 - Student Count))				

Small Isolated

Phase Down Base	Phase Down Reduction Factor	District Secondary Limit
<u>\$350,000</u>	- \$ = \$	

(ii)

Small School Student Count	Support Level Student Count	Weight for Small School Districts	Phase Down Reduction Base Level	Factor
<u>Count</u>	<u>Count</u>	<u>Limit</u>	<u>School Districts</u>	<u>Base Level</u>

$$\frac{\text{Count} \times \text{Count Limit} \times \text{School Districts}}{\text{Base Level} \times \text{Factor}}$$

$$= \frac{100 \times 1.398 + (0.0004 \times (500 - \text{Student Count}))}{\text{Small School District Base Reduction Factor Secondary Limit}}$$

$$= \frac{\$350,000}{\$} = \frac{\$}{\$}$$

(c) If both subdivisions (a) and (b) of this paragraph apply to a unified school district, its limit for the purposes of this paragraph is the combination of its elementary limit and its secondary limit.

(d) If only subdivision (a) or (b) of this paragraph applies to a unified school district, the district's limit for the purposes of this paragraph is the sum of the limit computed as provided in subdivision (a) or (b) of this paragraph plus ten percent of the revenue control limit attributable to those grade levels that do not meet the eligibility requirements of this subsection. If a school district budgets monies outside the revenue control limit pursuant to section 15-949, subsection E, the district's limit for the purposes of this paragraph is only the ten percent of the revenue control limit attributable to those grade levels that are not included under section 15-949, subsection E. For the purposes of this subdivision, the revenue control limit is separated into elementary and secondary components based on the weighted student count as provided in section 15-971, subsection B, paragraph 2, subdivision (a).

2. If a school district utilizes this subsection to request an override of more than one year, the ballot shall include an estimate of the amount of the proposed increase in the future years in place of the statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, as prescribed in subsections E and F of this section.

3. Notwithstanding subsection P of this section, the maximum period of an override authorized pursuant to this subsection is five years.

4. Subsection P, paragraphs 1 and 2 of this section do not apply to overrides authorized pursuant to this subsection.

I. If the election is to exceed the revenue control limit as provided in section 15-482 and if the proposed increase will be fully funded by a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice. The ballot shall also contain the amount of the proposed increase of the budget over the alternate budget, a statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, if applicable, as provided in subsection Q of this section, and the following statement:

Any budget increase authorized by this election shall be entirely funded by a levy of taxes on the taxable property within this school district for the year for which adopted and for _____ subsequent years, shall not be realized from monies furnished by the state and shall not be subject to the limitation on taxes specified in article IX, section 18, Constitution of Arizona. Based on the current net assessed valuation used for secondary property tax purposes, to fund the proposed increase in the school district's budget that will be funded by a levy of taxes on the taxable property within this school district would require an estimated tax rate of \$ _____ ~~dollar~~ per ~~one hundred dollars~~ \$100 of net assessed valuation used for secondary property tax purposes and is in addition to the school district's tax rate that will be levied to fund the school district's revenue control limit allowed by law.

J. If the election is to exceed the revenue control limit as provided in section 15-482 and if the proposed increase will be fully funded by revenues other than a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice. The ballot shall also contain the amount of the proposed increase of the proposed budget over the alternate budget, a statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, if applicable, as provided in subsection Q of this section and the following statement:

Any budget increase authorized by this election shall be entirely funded by this school district with revenues from other than a levy of taxes on the taxable property within the school district for the year for which adopted and for _____ subsequent years and shall not be realized from monies furnished by the state.

K. The maximum budget increase that may be requested and authorized as provided in subsection I or J of this section, or a combination of both of these subsections, is five percent of the revenue control limit as provided in section 15-947, subsection A for the budget year. For a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects as provided in section 15-447, five percent of the revenue control limit means five percent of the revenue control limit attributable to the weighted student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight as provided in section 15-971, subsection B. For a unified school district, five percent of the revenue control limit means five percent of the revenue control limit attributable to the weighted student count in preschool programs for children with disabilities, kindergarten

programs and grades one through twelve. For a union high school district, five percent of the revenue control limit means five percent of the revenue control limit attributable to the weighted student count in grades nine through twelve.

L. If the election is to exceed district additional assistance and if the proposed increase will be fully funded by a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice. An election held pursuant to this subsection shall be held on the first Tuesday after the first Monday of November. The ballot shall also contain the amount of the proposed increase of the proposed budget over the alternate budget and the following statement:

Any budget increase authorized by this election shall be entirely funded by a levy of taxes on the taxable property within this school district for the year in which adopted and for _____ subsequent years, shall not be realized from monies furnished by the state and shall not be subject to the limitation on taxes specified in article IX, section 18, Constitution of Arizona. Based on the current net assessed valuation used for secondary property tax purposes, to fund the proposed increase in the school district's budget would require an estimated tax rate of \$ _____ ~~dollar~~ per ~~one-hundred-dollars~~ \$100 of net assessed valuation used for secondary property tax purposes and is in addition to the school district's tax rate that will be levied to fund the school district's district additional assistance allowed by law.

M. If the election is to exceed district additional assistance and if the proposed increase will be fully funded by revenues from other than a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice. An election held pursuant to this subsection shall be held on the first Tuesday after the first Monday of November. The ballot shall also contain the amount of the proposed increase of the proposed budget over the alternate budget and the following statement:

Any budget increase authorized by this election shall be entirely funded by this school district with revenues from other than a levy of taxes on the taxable property within the school district for the year in which adopted and for _____ subsequent years and shall not be realized from monies furnished by the state.

N. If the election is to exceed a combination of the revenue control limit as provided in subsection E or F of this section, the revenue control limit as provided in subsection I or J of this section or district additional assistance as provided in subsection L or M of this section, the ballot shall be prepared so that the voters may vote on each proposed increase separately and shall contain statements required in the same manner as if each proposed increase were submitted separately.

O. If the election provides for a levy of taxes on the taxable property within the school district, at least thirty days ~~prior to~~ BEFORE the election, the department of revenue shall provide the school district governing board and the county school superintendent with the current net assessed valuation of the school district. The governing board and the county school superintendent shall use the current net assessed valuation of the school district to translate the amount of the proposed dollar increase in the budget of the school district over that allowed by law into a tax rate figure.

P. If the voters in a school district vote to adopt a budget in excess of the revenue control limit as provided in subsection E or F of this section, any additional increase shall be included in the aggregate budget limit for each of the years authorized. Any additional increase shall be excluded from the determination of equalization assistance. The school district governing board, however, may levy on the net assessed valuation used for secondary property tax purposes of the property in the school district the additional increase if adopted under subsection E of this section for the period of one year, two years or five through seven years as authorized. If an additional increase is approved as provided in subsection F of this section, the school district governing board may only use revenues derived from the school district's prior year's maintenance and operation fund ending cash balance to fund the additional increase. If a budget increase was previously authorized and will be in effect for the budget year or budget year and subsequent years, as provided in subsection E or F of this section, the governing board may request a new budget increase as provided in the same subsection under which the prior budget increase was adopted, which shall not exceed the maximum amount ~~permitted~~ ALLOWED under subsection G of this section. If the voters in the school district authorize the new budget increase amount, the existing budget increase no longer is in effect. If the voters in the school district do not authorize the budget increase amount, the existing budget increase remains in effect for the time period for which it was authorized. The maximum additional increase authorized as provided in subsection E or F of this section and the additional increase that is included in the aggregate budget limit is based on a percentage of a school district's revenue control limit in future years, if the budget increase is authorized for more than one year. If the additional increase:

1. Is for two years, the proposed increase in the second year is equal to the initial proposed percentage increase.

2. Is for five years or more, the proposed increase is equal to the initial proposed percentage increase in the following years of the proposed increase, except that in the next to last year it is two-thirds of the initial

proposed percentage increase and it is one-third of the initial proposed percentage increase in the last year of the proposed increase.

Q. If the voters in a school district vote to adopt a budget in excess of the revenue control limit as provided in subsection I or J of this section, any additional increase shall be included in the aggregate budget limit for each of the years authorized. Any additional increase shall be excluded from the determination of equalization assistance. The school district governing board, however, may levy on the net assessed valuation used for secondary property tax purposes of the property in the school district the additional increase if adopted under subsection I of this section for the period of one year, two years or five through seven years as authorized. If an additional increase is approved as provided in subsection J of this section, the increase may only be budgeted and expended if sufficient monies are available in the maintenance and operation fund of the school district. If a budget increase was previously authorized and will be in effect for the budget year or budget year and subsequent years, as provided in subsection I or J of this section, the governing board may request a new budget increase as provided in the same subsection under which the prior budget increase was adopted that does not exceed the maximum amount permitted under subsection K of this section. If the voters in the school district authorize the new budget increase amount, the existing budget increase no longer is in effect. If the voters in the school district do not authorize the budget increase amount, the existing budget increase remains in effect for the time period for which it was authorized. The maximum additional increase authorized as provided in subsection I or J of this section and the additional increase that is included in the aggregate budget limit is based on a percentage of a school district's revenue control limit in future years, if the budget increase is authorized for more than one year. If the additional increase:

1. Is for two years, the proposed increase in the second year is equal to the initial proposed percentage increase.

2. Is for five years or more, the proposed increase is equal to the initial proposed percentage increase in the following years of the proposed increase, except that in the next to last year it is two-thirds of the initial proposed percentage increase and it is one-third of the initial proposed percentage increase in the last year of the proposed increase.

R. If the voters in a school district vote to adopt a budget in excess of district additional assistance as provided in subsection L of this section, any additional increase shall be included in the aggregate budget limit for each of the years authorized. The additional increase shall be excluded from the determination of equalization assistance. The school district governing board, however, may levy on the net assessed valuation used for secondary property tax purposes of the property in the school district the additional increase for the period authorized but not to exceed ten years. For overrides approved by a vote of the qualified electors of the school district at an election held from and after October 31, 1998, the period of the additional increase prescribed in this subsection shall not exceed seven years for any capital override election.

S. If the voters in a school district vote to adopt a budget in excess of district additional assistance as provided in subsection M of this section, any additional increase shall be included in the aggregate budget limit for each of the years authorized. The additional increase shall be excluded from the determination of equalization assistance. The school district governing board may only use revenues derived from the school district's prior year's maintenance and operation fund ending cash balance and capital outlay fund ending cash balance to fund the additional increase for the period authorized but not to exceed ten years. For overrides approved by a vote of the qualified electors of the school district at an election held from and after October 31, 1998, the period of the additional increase prescribed in this subsection shall not exceed seven years for any capital override election.

T. In addition to subsections P and S of this section, from the maintenance and operation fund and capital outlay fund ending cash balances, the school district governing board shall first use any available revenues to reduce its primary tax rate to zero and shall use any remaining revenues to fund the additional increase authorized as provided in subsections F and M of this section.

U. If the voters in a school district disapprove the proposed budget, the alternate budget that, except for any budget increase authorized by a prior election, does not include an increase in the budget in excess of the amount provided in section 15-905 shall be adopted by the governing board as provided in section 15-905.

V. The governing board may request that any override election be cancelled if any change in chapter 9 of this title changes the amount of the aggregate budget limit as provided in section 15-905. The request to cancel the override election shall be made to the county school superintendent at least eighty days ~~prior to~~ **BEFORE** the date of the scheduled override election.

W. For any election conducted pursuant to subsection L or M of this section:

1. The ballot shall include the following statement in addition to any other statement required by this section:

The capital improvements that are proposed to be funded through this override election are to exceed the state standards and are in addition to monies provided by the state.

_____ school district is proposing to increase its budget by \$_____ to fund capital improvements over and above those funded by the state. Under the students first capital funding system, _____ school district is entitled to state monies for new construction and renovation of school buildings in accordance with state law.

2. The ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice.

3. At least eighty-five days before the election, the school district shall submit proposed ballot language to the director of the Arizona legislative council. The director of the Arizona legislative council shall review the proposed ballot language to determine whether the proposed ballot language complies with this section. If the director of the Arizona legislative council determines that the proposed ballot language does not comply with this section, the director, within ten calendar days ~~of the receipt of~~ **AFTER RECEIVING** the proposed ballot language, shall notify the school district of the director's objections, and the school district shall resubmit revised ballot language to the director for approval.

X. If the voters approve the budget increase pursuant to subsection L or M of this section, the school district shall not use the override proceeds for any purposes other than the proposed capital improvements listed in the informational pamphlet, except that up to ten percent of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements.

Y. Each school district that currently increases its budget pursuant to this section ~~is required to~~ **SHALL** hold a public meeting each year between September 1 and October 31 at which an update of the programs or capital improvements financed through the override is discussed and at which the public is ~~permitted~~ **ALLOWED** an opportunity to comment and:

1. If the increase is pursuant to subsection L or M of this section, at a minimum, the update shall include the progress of capital improvements financed through the override, a comparison of the current status and the original projections on the construction of capital improvements, the costs of capital improvements and the costs of capital improvements in progress or completed since the prior meeting and the future capital plans of the school district. The school district shall include in the public meeting a discussion of the school district's use of state capital aid and voter-approved bonding in funding capital improvements, if any.

2. If the increase is pursuant to subsection E, F, I or J of this section, the update shall include at a minimum the amount expended in the previous fiscal year and the amount included in the current budget for each of the purposes listed in the informational pamphlet prescribed by subsection B of this section.

Z. If a budget in excess of district additional assistance was previously adopted by the voters in a school district and will be in effect for the budget year or budget year and subsequent years, as provided in subsection L or M of this section, the governing board may request an additional budget in excess of district additional assistance. If the voters in a school district authorize the additional budget in excess of district additional assistance, the existing district additional assistance budget increase remains in effect.

AA. Notwithstanding any other law, the maximum budget increase that may be authorized pursuant to subsection L or M of this section is ten percent of the school district's revenue control limit.

BB. If the election is to continue to exceed the revenue control limit and if the proposed override will be fully funded by a continuation of a levy of taxes on the taxable property in the school district, the ballot shall contain the words "budget override continuation, yes" and "budget override continuation, no", and the voter shall signify the voter's desired choice. The ballot shall also contain the amount of the proposed continuation of the budget increase of the proposed budget over the alternate budget, a statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, if applicable, as provided in subsection P of this section and the following statement:

Any budget increase continuation authorized by this election shall be entirely funded by a levy of taxes on the taxable property in this school district for the year for which adopted and for _____ subsequent years, shall not be realized from monies furnished by the state and shall not be subject to the limitation on taxes specified in article IX, section 18, Constitution of Arizona. Based on the current net assessed valuation used for secondary property tax purposes, to fund the proposed continuation of the increase in the school district's budget would require an estimated continuation of a tax rate of \$ _____ ~~dollar~~ per ~~one hundred dollars~~ **\$100** of assessed valuation used for secondary property tax purposes and is in addition to the school district's tax rate that will be levied to fund the school district's revenue control limit allowed by law.

CC. If the election is to continue to exceed the revenue control limit as provided in section 15-482 and if the proposed override will be fully funded by a continuation of a levy of taxes on the taxable property in the school district, the ballot shall contain the words "budget override continuation, yes" and "budget override continuation, no", and the voter shall signify the voter's desired choice. The ballot shall also contain the amount of the proposed continuation of the budget increase of the proposed budget over the alternate budget, a statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, if applicable, as provided in subsection P of this section and the following statement:

Any budget increase continuation authorized by this election shall be entirely funded by a levy of taxes on the taxable property in this school district for the year for which adopted and for _____ subsequent years, shall not be realized from monies furnished by the state and shall not be subject to the limitation on taxes specified in article IX, section 18, Constitution of Arizona. Based on the current net assessed valuation used for secondary property tax purposes, to fund the proposed continuation of the increase in the school district's budget would require an

estimated continuation of a tax rate of \$ _____ dollar per ~~one hundred dollars~~ \$100 of net assessed valuation used for secondary property tax purposes and is in addition to the school district's tax rate that will be levied to fund the school district's revenue control limit allowed by law.

Sec. 17. Section 15-491, Arizona Revised Statutes, is amended to read:

15-491. Elections on school property; exceptions

A. The governing board of a school district may, and on petition of fifteen percent of the school electors as shown by the poll list at the last preceding annual school election shall, call an election for the following purposes:

1. To locate or change the location of school buildings.
 2. To purchase or sell school sites or buildings or sell school sites pursuant to section 15-342 or to build school buildings, but the authorization by vote of the school district shall not necessarily specify the site to be purchased.

3. To decide whether the bonds of the school district shall be issued and sold for the purpose of raising ~~money~~ MONIES for purchasing or leasing school lots, for building or renovating school buildings, for supplying school buildings with furniture, equipment and technology, for improving school grounds, for purchasing pupil transportation vehicles or for liquidating any indebtedness already incurred for such purposes. Bonds issued for furniture, equipment and technology, other than fixtures, shall mature ~~no~~ NOT later than the July 1 that follows the fifth year after the bonds were issued. A school district shall not issue class B bonds until the school district has obligated in contract the entire proceeds of any class A bonds issued by the school district. The total amount of class A and class B bonds issued by a school district shall not exceed the debt limitations prescribed in article IX, sections 8 and 8.1, Constitution of Arizona.

4. To lease for twenty or more years, as lessor or as lessee, school buildings or grounds. Approval by a majority of the school district electors voting authorizes the governing board to negotiate for and enter into a lease. The ballot shall list the school buildings or grounds for which a lease is sought. If the governing board does not enter into a lease of twenty or more years of the school buildings or grounds listed on the ballot within twenty years ~~of~~ AFTER the date of the election and the board continues to seek such a lease, the governing board shall call a special election to reauthorize the board to negotiate for and to enter into a lease of ~~ten~~ TWENTY or more years.

5. To change the list of capital projects or the purposes authorized by prior voter approval to issue bonds.

6. To extend from six to ten years the time period to issue class B bonds authorized in 2009 or earlier. Elections pursuant to this paragraph may not be held later than the sixth November after the election approving the issuance of the bonds.

B. ~~No~~ A petition ~~shall be~~ IS NOT required for ~~the~~ holding ~~of~~ the first election to be held in a joint common school district for any of the purposes specified in subsection A of this section. The certification of election results required by section 15-493 shall be made to the board of supervisors of the jurisdictional county.

C. When the election is called to determine whether or not bonds of the school district shall be issued and sold for the purposes enumerated in the call for the election, the question shall be submitted to the vote of the qualified electors of the school district as defined in section 15-401 and subject to section 15-402.

D. The governing board shall order the election to be held and the election notice and procedures to be conducted in the manner prescribed in title 35, chapter 3, article 3. If a petition for an election has been filed with the governing board as provided in subsection A of this section, the board shall act on the petition within sixty days by ordering the election to be held as provided in this subsection. If a school district bond election is scheduled for the same date a school district will hold an override election, the governing body shall deliver a copy of the notice of election and ballot to the county school superintendent who shall include the notice of election and ballot with the informational pamphlet and ballot prepared for the override election. Mailing of the information required for both the override and bond elections shall constitute compliance with the notice provisions of this section.

E. The elections to be held pursuant to this section shall only be held on dates prescribed by section 16-204, except that elections held pursuant to this section to decide whether class B bonds shall be issued, or any other obligation incurred that will require the assessment of secondary property taxes, shall only be held on the first Tuesday after the first Monday of November.

F. Subsection A, paragraph 2 of this section does not apply to the sale of school property if the market value of the school property is less than ~~fifty thousand dollars~~ \$50,000.

G. Bond counsel fees, financial advisory fees, printing costs and paying agent and registrar fees for bonds issued pursuant to an election under this section shall be paid from either the amount authorized by the qualified electors of the school district or current operating funds. Bond election expenses shall be paid from current operating funds only.

H. For any election conducted to decide whether class B bonds will be issued pursuant to this section:

1. Except as provided in paragraph 2 of this subsection, the ballot shall include the following statement:

The capital improvements that are proposed to be funded through this bond issuance are to exceed the state standards and are in addition to monies provided by the state.

_____ school district is proposing to issue class B general obligation bonds totaling \$_____ to fund capital improvements over and above those funded by the state. Under the students first capital funding system, _____ school district is entitled to state monies for new construction and renovation of school buildings in accordance with state law.

2. For a school district that is a career technical education district, the ballot shall include the following statement:

_____, a career technical education district, is proposing to issue class B general obligation bonds totaling \$_____ to fund capital improvements at a campus owned or operated and maintained by the career technical education district.

3. The ballot shall conform to the requirements of title 35, chapter 3, article 3.

4. At least eighty-five days before the election, the school district shall submit proposed ballot language to the county school superintendent and the director of the Arizona legislative council. The director of the Arizona legislative council shall review the proposed ballot language to determine whether the proposed ballot language complies with this section. If the director of the Arizona legislative council determines that the proposed ballot language does not comply with this section, the director, within ten calendar days ~~of the receipt of~~ **AFTER RECEIVING** the proposed ballot language, shall notify the school district and the county school superintendent of the director's objections, and the school district shall resubmit revised ballot language to the director for approval.

5. ~~No~~ **NOT** later than thirty-five days before a class B bond election conducted pursuant to this section, the school district shall mail an informational pamphlet prepared by the county school superintendent to each household that contains a qualified elector in the school district. The informational pamphlet shall contain, at a minimum, the following information:

(a) An executive summary of the school district's most recent capital plan submitted to the school facilities **OVERSIGHT** board.

(b) A complete list of each proposed capital improvement that will be funded with the proceeds of the bonds and a description of the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities **OVERSIGHT** board.

(c) The tax rate associated with each of the proposed capital improvements and the estimated cost of each capital improvement for the owner of a single family home that is valued at ~~one hundred thousand dollars~~ **\$100,000**.

I. For any election conducted to decide whether impact aid revenue bonds shall be issued pursuant to this section:

1. The ballot shall include the following statement:

The capital improvements that are proposed to be funded through this bond issuance are to exceed the state standards and are in addition to monies provided by the state.

_____ school district is proposing to issue impact aid revenue bonds totaling \$_____ to fund capital improvements over and above those funded by the state. Under the students first capital funding system, _____ school district is entitled to state monies for new construction and renovation of school buildings in accordance with state law.

2. The ballot shall contain the words "bond approval, yes" and "bond approval, no", and the voter shall signify the voter's desired choice.

3. At least eighty-five days before the election, the school district shall submit proposed ballot language to the director of the legislative council. The director of the legislative council shall review the proposed ballot language to determine whether the proposed ballot language complies with this section. If the director of the legislative council determines that the proposed ballot language does not comply with this section, the director, within ten calendar days ~~of the receipt of~~ **AFTER RECEIVING** the proposed ballot language, shall notify the school district of the director's objections, and the school district shall resubmit revised ballot language to the director for approval.

4. ~~No~~ **NOT** later than thirty-five days before an impact aid revenue bond election conducted pursuant to this section, the school district shall mail an informational pamphlet prepared by the county school superintendent to each household that contains a qualified elector in the school district. The informational pamphlet shall contain, at a minimum, the following information:

(a) The date of the election.

(b) The voter's polling place and the times it is open.

(c) An executive summary of the school district's most recent capital plan submitted to the school facilities **OVERSIGHT** board.

(d) A complete list of each proposed capital improvement that will be funded with the proceeds of the bonds and a description of the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities **OVERSIGHT** board.

(e) A statement that impact aid revenue bonds will be fully funded by aid that the school district receives from the federal government and do not require a levy of taxes in the district.

(f) A statement that if the bonds are approved, the first priority for the impact aid will be to pay the debt service for the bonds and that other uses of the monies are prohibited until the debt service obligation is met.

(g) A statement that if the impact aid revenue bonds are approved, the school district shall not issue or sell class B bonds while the district has existing indebtedness from impact aid revenue bonds, except for bonds issued to refund any bonds issued by the board.

J. If the voters approve the issuance of school district class B bonds or impact aid revenue bonds, the school district shall not use the bond proceeds for any purposes other than the proposed capital improvements listed in the informational pamphlet, except that up to ten percent of the bond proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements. The proposed capital improvements may be changed by a subsequent election as provided by this section.

K. Each school district that issues bonds under this section ~~is required to~~ **SHALL** hold a public meeting each year between September 1 and October 31, until the bond proceeds are spent, at which an update of the progress of capital improvements financed through bonding is discussed and at which the public is ~~permitted~~ **ALLOWED** an opportunity to comment. At a minimum, the update shall include a comparison of the current status and the original projections on the construction of capital improvements, the costs of capital improvements and the costs of capital improvements in progress or completed since the prior meeting and the future capital bonding plans of the school district. The school district shall include in the public meeting a discussion of the school district's use of state capital aid and voter-approved capital overrides in funding capital improvements, if any.

L. If an election is held to change the purpose or list of capital projects authorized by prior voter approval to issue bonds pursuant to subsection A, paragraph 5 of this section, the following requirements apply:

1. The election may be held only on the first Tuesday after the first Monday in November.

2. ~~No~~ **NOT** later than thirty-five days before the election, the school district shall mail an informational pamphlet prepared by the county school superintendent to each household in the school district that contains a qualified elector. The informational pamphlet shall contain, at a minimum, the following information:

(a) The date of the election.

(b) The voter's polling place and the times it is open.

(c) A statement as to why the election was called.

(d) A complete list of each proposed capital improvement that is in addition to the initial capital improvements presented in the informational pamphlet when the bonds were approved and the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities **OVERSIGHT** board.

(e) A complete list of each capital improvement that was presented in the informational pamphlet when the bonds were initially approved and that is proposed to be eliminated or to have its cost reduced, and the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities **OVERSIGHT** board.

(f) Arguments for and against the proposed change, if submitted, as provided by section 15-481, subsection B, paragraph 9. The ballot arguments for the proposed change shall be signed as the governing board of the school district without listing any member's individual name for the arguments for the proposed change.

3. The ballot shall contain the words "change capital improvements, yes" and "change capital improvements, no", and the voter shall signify the voter's desired choice.

4. If the election is to add a purpose that was not on the initial ballot, the ballot shall list the purpose that is proposed to be added.

M. If an election is held to extend the time to issue bonds pursuant to subsection A, paragraph 6 of this section, the following requirements apply:

1. The election may be held only on the first Tuesday after the first Monday in November.

2. ~~No~~ **NOT** later than thirty-five days before the election, the school district shall mail an informational pamphlet prepared by the county school superintendent to each household in the school district that contains a qualified elector. The informational pamphlet shall contain, at a minimum, the following information:

(a) The date of the election.

(b) The voter's polling place and the times it is open.

(c) A statement as to why the election was called.

(d) Arguments for and against the proposed change, if submitted, as provided in section 15-481, subsection B, paragraph 9. The ballot arguments for the proposed change shall be signed as the governing board of the school district without listing any member's individual name for the arguments for the proposed change.

3. The ballot shall contain the words "extend time to issue bonds, yes" and "extend time to issue bonds, no", and the voter shall signify the voter's desired choice.

Sec. 18. Section 15-505, Arizona Revised Statutes, as added by Laws 2021, chapter 2, section 5, is amended to read:

15-505. Discipline; educator information system; personnel list; definitions

A. Pursuant to the rules and procedures adopted pursuant to section 15-203, the ~~department~~ **STATE BOARD** of education shall investigate written complaints alleging that a noncertificated person has engaged in immoral or unprofessional conduct.

B. The state board of education may review a complaint and determine whether to take disciplinary action against a noncertificated person who has engaged in immoral or unprofessional conduct, including

prohibiting the person's employment at a school district or charter school for up to five years except as otherwise prescribed in section 15-550. The state board shall adopt rules and procedures for disciplinary action of noncertificated persons that are substantially similar to the rules and procedures for certificated persons.

C. Before employing a certificated or noncertificated person, school districts and charter schools shall conduct a search of the prospective employee on the educator information system that is maintained by the department of education.

D. A school district or charter school may not employ either of the following in a position that requires a valid fingerprint clearance card:

1. A certificated person whose certificate has been suspended, surrendered or revoked, unless the state board of education has subsequently reinstated the person's certificate.

2. A noncertificated person who has been prohibited from employment at a school district or charter school by the state board of education pursuant to subsection B of this section.

E. Each school district and charter school shall annually submit to the department of education a list of certificated and noncertificated persons who are employed at the school district or charter school. The department shall issue guidance to school districts and charter schools regarding this subsection.

F. For the purposes of this section:

1. "Noncertificated person":

(a) Means a school district or charter school employee who both:

(i) Does not possess a certificate issued pursuant to rules adopted by the state board of education under section 15-203, subsection A, paragraph 14.

(ii) Is required or allowed to provide services directly to pupils without being supervised by a certificated employee.

(b) Does not include a person who does not hold a certificate and who is one of the following at a school district or charter school:

(i) A transportation employee as defined in section 15-513.

(ii) A food service employee or contractor.

(iii) A maintenance worker.

(iv) An employee or contractor of the school district or charter school that is not required to possess a valid fingerprint clearance card.

2. "Supervised" means being under the direction of and, except for brief periods of time during a school day or school activity, within sight of a certificated employee when providing direct services to pupils.

Sec. 19. Section 15-512, Arizona Revised Statutes, as amended by Laws 2021, chapter 2, section 6, is amended to read:

15-512. Noncertificated personnel; fingerprinting personnel; background investigations; affidavit; civil immunity; violation; classification; definition

A. Noncertificated personnel and personnel who are not paid employees of the school district and who are not either the parent or the guardian of a pupil who attends school in the school district but who are required or allowed to provide services directly to pupils without being supervised by a certificated employee and who are initially hired by a school district after January 1, 1990 shall be fingerprinted as a condition of employment except for personnel who are required as a condition of licensing to be fingerprinted if the license is required for employment or for personnel who were previously employed by a school district and who reestablished employment with that district within one year after the date that the employee terminated employment with the district. A school district may require noncertificated personnel and personnel who are not paid employees of the school district and who are not either the parent or the guardian of a pupil who attends school in the school district but who are required or allowed to provide services directly to pupils without being supervised by a certificated employee to obtain a fingerprint clearance card as a condition of employment. Even if the school district does not require a fingerprint clearance card as a condition of employment, noncertificated personnel and personnel who are not paid employees of the school district and who are not either the parent or the guardian of a pupil who attends school in the school district but who are required or allowed to provide services directly to pupils without being supervised by a certificated employee may apply for a fingerprint clearance card. A school district may release the results of a background check or communicate whether the person has been issued or denied a fingerprint clearance card to another school district for employment purposes. The employee's fingerprints and the form prescribed in subsection D of this section shall be submitted to the school district within twenty days after the date an employee begins work. A school district may terminate an employee if the information on the form provided under subsection D of this section is inconsistent with the information received from the fingerprint check or the information received in connection with a fingerprint clearance card application. The school district shall develop procedures for fingerprinting employees. For the purposes of this subsection, "supervised" means being under the direction of and, except for brief periods of time during a school day or school activity, within sight of a certificated employee when providing direct services to pupils.

B. Fingerprints submitted pursuant to this section shall be used to conduct a state and federal criminal records check pursuant to section 41-1750 and Public Law 92-544. The department of public safety may exchange this fingerprint data with the federal bureau of investigation.

C. The school district shall assume the costs of fingerprint checks and fingerprint clearance cards and may charge these costs to its fingerprinted employee, except that the school district may not charge the costs of the fingerprint check or the fingerprint clearance card to personnel of the school district who are not paid employees. The fees charged for fingerprinting shall be deposited with the county treasurer who shall credit the deposit to the fingerprint fund of the school district. The costs charged to a fingerprinted employee are limited to and the proceeds in the fund may only be applied to the actual costs, including personnel costs, incurred as a result of the fingerprint checks or the fingerprint clearance cards. The fingerprint fund is a continuing fund that is not subject to reversion.

D. Personnel required to be fingerprinted or obtain a fingerprint clearance card as prescribed in subsection A of this section shall certify on forms that are provided by the school and notarized whether they are awaiting trial on or have ever been convicted of or admitted in open court or pursuant to a plea agreement committing any of the following criminal offenses in this state or similar offenses in another jurisdiction, including a charge or conviction that has been vacated, set aside or expunged:

1. Sexual abuse of a minor.
2. Incest.
3. First or second degree murder.
4. Kidnapping.
5. Arson.
6. Sexual assault.
7. Sexual exploitation of a minor.
8. Felony offenses involving contributing to the delinquency of a minor.
9. Commercial sexual exploitation of a minor.
10. Felony offenses involving sale, distribution or transportation of, offer to sell, transport, or distribute or conspiracy to sell, transport or distribute marijuana or dangerous or narcotic drugs.
11. Felony offenses involving the possession or use of marijuana, dangerous drugs or narcotic drugs.
12. Misdemeanor offenses involving the possession or use of marijuana or dangerous drugs.
13. Burglary in the first degree.
14. Burglary in the second or third degree.
15. Aggravated or armed robbery.
16. Robbery.
17. A dangerous crime against children as defined in section 13-705.
18. Child abuse.
19. Sexual conduct with a minor.
20. Molestation of a child.
21. Manslaughter.
22. Aggravated assault.
23. Assault.
24. Exploitation of minors involving drug offenses.

E. A school district may refuse to hire or may review or terminate personnel who have been convicted of or admitted committing any of the criminal offenses prescribed in subsection D of this section or of a similar offense in another jurisdiction. A school district that is considering terminating an employee pursuant to this subsection shall hold a hearing to determine whether a person already employed shall be terminated. In conducting a review, the governing board shall utilize the guidelines, including the list of offenses that are not subject to review, as prescribed by the state board of education pursuant to section 15-534, subsection C. In considering whether to hire or terminate the employment of a person, the governing board shall take into account the following factors:

1. The nature of the crime and the potential for crimes against children.
2. Offenses committed as a minor for which proceedings were held under the jurisdiction of a juvenile or an adult court.
3. Offenses that have been expunged by a court of competent jurisdiction, if the person has been pardoned or if the person's sentence has been commuted.
4. The employment record of the person since the commission of the crime if the crime was committed more than ten years before the governing board's consideration of whether to hire or terminate the person.
5. The reliability of the evidence of an admission of a crime unless made under oath in a court of competent jurisdiction.

F. Before a person is employed with the school district, the district shall make documented, good faith efforts to contact previous employers of the person to obtain information and recommendations that may be relevant to the person's fitness for employment, including conducting a search of the educator information system that is maintained by the department of education pursuant to section 15-505. A school district may not employ in a position that requires a valid fingerprint clearance card a person against whom the state board of education has taken disciplinary action as prescribed in section 15-505 or whose certificate has been suspended, surrendered or revoked, unless the state board has subsequently reinstated the person's certificate. A governing board shall adopt procedures for conducting background investigations required by this subsection, including

one or more standard forms for use by school district officials to document their efforts to obtain information from previous employers. A school district may provide information received as a result of a background investigation required by this section to any other school district, to any other public school and to any public entity that agrees pursuant to a contract or intergovernmental agreement to perform background investigations for school districts or other public schools. School districts and other public schools may enter into intergovernmental agreements pursuant to section 11-952 and cooperative purchasing agreements pursuant to rules adopted in accordance with section 15-213 for the purposes of performing or contracting for the performance of background investigations and for sharing the results of background investigations required by this subsection. Information obtained about an employee or applicant for employment by any school district or other public school in the performance of a background investigation, including any records indicating that a current or former employee of a school or school district was disciplined for violating policies of the school district governing board pursuant to section 15-153, may be retained by that school district or the other public school or by any public entity that agrees pursuant to contract to perform background investigations for school districts or other public schools and may be provided to any school district or other public school that is performing a background investigation required by this subsection.

G. A school district may fingerprint or require any other employee of the district to obtain a fingerprint clearance card, whether paid or not, or any other applicant for employment with the school district not otherwise required by this section to be fingerprinted or obtain a fingerprint clearance card on the condition that the school district may not charge the costs of the fingerprint check or fingerprint clearance card to the fingerprinted applicant or nonpaid employee.

H. A contractor, subcontractor or vendor or any employee of a contractor, subcontractor or vendor who is contracted to provide services on a regular basis at an individual school shall obtain a valid fingerprint clearance card pursuant to title 41, chapter 12, article 3.1. A school district governing board shall adopt policies to exempt a person from the requirements of this subsection if the person's normal job duties are not likely to result in independent access to or unsupervised contact with pupils. A school district, its governing board members, its school council members and its employees are exempt from civil liability for the consequences of adoption and implementation of policies and procedures pursuant to this subsection unless the school district, its governing board members, its school council members or its employees are guilty of gross negligence or intentional misconduct.

I. Subsection A of this section does not apply to a person who provides instruction or other education services to a pupil, with the written consent of the parent or guardian of the pupil, under a work release program, advance placement course or other education program that occurs off school property.

J. Public entities that agree pursuant to contract to perform background investigations, public schools, the department of education, **THE STATE BOARD OF EDUCATION** and previous employers who provide information pursuant to this section are immune from civil liability unless the information provided is false and is acted on by the school district to the harm of the employee and the public entity, the public school, the previous employer, **THE STATE BOARD OF EDUCATION** or the department of education knows the information is false or acts with reckless disregard of the information's truth or falsity. A school district that relies on information obtained pursuant to this section in making employment decisions is immune from civil liability for use of the information unless the information obtained is false and the school district knows the information is false or acts with reckless disregard of the information's truth or falsity.

K. The superintendent of a school district or chief administrator of a charter school or the person's designee who is responsible for implementing the governing board's policy regarding background investigations required by subsection F of this section and who fails to carry out that responsibility is guilty of unprofessional conduct and is subject to disciplinary action by the state board.

L. A school district may hire noncertificated personnel before receiving the results of the fingerprint check or a fingerprint clearance card but may terminate employment if the information on the form provided in subsection D of this section is inconsistent with the information received from the fingerprint check or the fingerprint clearance card. In addition to any other conditions or requirements deemed necessary by the superintendent of public instruction to protect the health and safety of pupils, a school district may hire noncertificated personnel who are required or allowed unsupervised contact with pupils before the results of a fingerprint check are received or a fingerprint clearance card is issued if the school district does all of the following:

1. Documents in the applicant's file the necessity for hiring and placing the applicant before a fingerprint check could be completed or a fingerprint clearance card could be issued.
2. Ensures that the department of public safety completes a statewide criminal history information check on the applicant every one hundred twenty days until the date that the fingerprint check is completed or the fingerprint clearance card is issued or denied.
3. Obtains references from the applicant's current employer and two most recent previous employers except for applicants who have been employed for at least five years by the applicant's most recent employer.
4. Provides general supervision of the applicant until the date that the fingerprint check is completed or the fingerprint clearance card is issued or denied.

5. Reports to the superintendent of public instruction on June 30 and December 31 each year the number of applicants hired before the completion of a fingerprint check or the issuance of a fingerprint clearance card. In addition, the school district shall report the number of applicants for whom fingerprint checks were not received or fingerprint clearance cards were not issued after one hundred twenty days and after one hundred seventy-five days of hire.

M. Notwithstanding any other law, this section does not apply to pupils who attend school in a school district and who are also employed by a school district.

N. A person who makes a false statement, representation or certification in any application for employment with the school district is guilty of a class 3 misdemeanor.

O. For the purposes of this section, "background investigation" means any communication with an employee's or applicant's former employer that concerns the education, training, experience, qualifications and job performance of the employee or applicant and that is used for the purpose of evaluating the employee or applicant for employment. Background investigation does not include the results of any state or federal criminal history records check.

Sec. 20. Section 15-514, Arizona Revised Statutes, as amended by Laws 2021, chapter 2, section 7, is amended to read:

15-514. Immoral or unprofessional conduct; duty to report; immunity; definition

A. Any certificated or noncertificated person or governing board member who reasonably suspects or receives a reasonable allegation that a person certificated by the state board of education or a noncertificated person has engaged in conduct involving minors that would be subject to the reporting requirements of section 13-3620 shall report or cause reports to be made to the **department STATE BOARD** of education in writing as soon as is reasonably practicable but not later than three business days after the person first suspects or receives an allegation of the conduct.

B. The superintendent of a school district or the chief administrator of a charter school who reasonably suspects or receives a reasonable allegation that an act of immoral or unprofessional conduct that would constitute grounds for dismissal or criminal charges by a certificated or noncertificated person has occurred shall report the conduct to the **department STATE BOARD** of education.

C. A person who in good faith reports or provides information pursuant to this section regarding the immoral or unprofessional conduct of a certificated or noncertificated person is not subject to an action for civil damages as a result.

D. A governing board or school or school district employee who has control over personnel decisions shall not take unlawful reprisal against an employee because the employee reports in good faith information as required by this section. For the purposes of this subsection, "unlawful reprisal" means an action that is taken by a governing board as a direct result of a lawful report pursuant to this section and, with respect to the employee, results in one or more of the following:

1. Disciplinary action.
2. Transfer or reassignment.
3. Suspension, demotion or dismissal.
4. An unfavorable performance evaluation.
5. Other significant changes in duties or responsibilities that are inconsistent with the employee's salary or employment classification.

E. Failure to report information as required by this section by a certificated or noncertificated person constitutes grounds for disciplinary action by the state board of education.

F. A governing board or school district employee who has control over personnel decisions and who reasonably suspects or receives a reasonable allegation that a person certificated by the state board of education or a noncertificated person has engaged in conduct involving minors that would be subject to the reporting requirements of section 13-3620 and this article shall not accept the resignation of the certificate holder or noncertificated person until these suspicions or allegations have been reported to the state board of education.

G. For the purposes of this section, "noncertificated person" has the same meaning prescribed in section 15-505.

Sec. 21. Title 15, chapter 7, article 1, Arizona Revised Statutes, is amended by adding sections 15-711.01 and 15-717.02, to read:

15-711.01. Instruction; child assault awareness; abuse prevention

NOTWITHSTANDING ANY OTHER LAW, AGE-APPROPRIATE AND GRADE-APPROPRIATE CLASSROOM INSTRUCTION REGARDING CHILD ASSAULT AWARENESS AND ABUSE PREVENTION IS ALLOWED.

15-717.02. Prohibited instruction; disciplinary action; legal action; civil penalty

A. A TEACHER, ADMINISTRATOR OR OTHER EMPLOYEE OF A SCHOOL DISTRICT, CHARTER SCHOOL OR STATE AGENCY WHO IS INVOLVED WITH STUDENTS AND TEACHERS IN GRADES PRESCHOOL THROUGH THE TWELFTH GRADE MAY NOT USE PUBLIC MONIES FOR INSTRUCTION THAT PRESENTS ANY FORM OF BLAME OR JUDGMENT ON THE BASIS OF RACE, ETHNICITY OR SEX.

B. A TEACHER, ADMINISTRATOR OR OTHER EMPLOYEE OF A SCHOOL DISTRICT, CHARTER SCHOOL OR STATE AGENCY WHO IS INVOLVED WITH STUDENTS AND TEACHERS IN GRADES PRESCHOOL THROUGH THE TWELFTH GRADE MAY NOT ALLOW INSTRUCTION IN OR MAKE PART OF A COURSE THE FOLLOWING CONCEPTS:

1. ONE RACE, ETHNIC GROUP OR SEX IS INHERENTLY MORALLY OR INTELLECTUALLY SUPERIOR TO ANOTHER RACE, ETHNIC GROUP OR SEX.

2. AN INDIVIDUAL, BY VIRTUE OF THE INDIVIDUAL'S RACE, ETHNICITY OR SEX, IS INHERENTLY RACIST, SEXIST OR OPPRESSIVE, WHETHER CONSCIOUSLY OR UNCONSCIOUSLY.

3. AN INDIVIDUAL SHOULD BE INVIDIOUSLY DISCRIMINATED AGAINST OR RECEIVE ADVERSE TREATMENT SOLELY OR PARTLY BECAUSE OF THE INDIVIDUAL'S RACE, ETHNICITY OR SEX.

4. AN INDIVIDUAL'S MORAL CHARACTER IS DETERMINED BY THE INDIVIDUAL'S RACE, ETHNICITY OR SEX.

5. AN INDIVIDUAL, BY VIRTUE OF THE INDIVIDUAL'S RACE, ETHNICITY OR SEX, BEARS RESPONSIBILITY FOR ACTIONS COMMITTED BY OTHER MEMBERS OF THE SAME RACE, ETHNIC GROUP OR SEX.

6. AN INDIVIDUAL SHOULD FEEL DISCOMFORT, GUILT, ANGUISH OR ANY OTHER FORM OF PSYCHOLOGICAL DISTRESS BECAUSE OF THE INDIVIDUAL'S RACE, ETHNICITY OR SEX.

7. ACADEMIC ACHIEVEMENT, MERITOCRACY OR TRAITS SUCH AS A HARD WORK ETHIC ARE RACIST OR SEXIST OR WERE CREATED BY MEMBERS OF A PARTICULAR RACE, ETHNIC GROUP OR SEX TO OPPRESS MEMBERS OF ANOTHER RACE, ETHNIC GROUP OR SEX.

C. AN ATTORNEY ACTING ON BEHALF OF A PUBLIC SCHOOL MAY REQUEST A LEGAL OPINION OF THE COUNTY ATTORNEY OR ATTORNEY GENERAL AS TO WHETHER A PROPOSED USE OF SCHOOL DISTRICT RESOURCES WOULD VIOLATE THIS SECTION.

D. A TEACHER WHO VIOLATES THIS SECTION SHALL BE SUBJECT TO DISCIPLINARY ACTION, INCLUDING THE SUSPENSION OR REVOCATION OF THE TEACHER'S CERTIFICATE, AS THE STATE BOARD DEEMS APPROPRIATE.

E. THE ATTORNEY GENERAL OR THE COUNTY ATTORNEY FOR THE COUNTY IN WHICH AN ALLEGED VIOLATION OF THIS SECTION OCCURS MAY INITIATE A SUIT IN THE SUPERIOR COURT IN THE COUNTY IN WHICH THE SCHOOL DISTRICT, CHARTER SCHOOL OR STATE AGENCY IS LOCATED FOR THE PURPOSE OF COMPLYING WITH THIS SECTION.

F. FOR EACH VIOLATION OF THIS SECTION, INCLUDING SUBSEQUENT OR CONTINUED VIOLATIONS, THE COURT MAY IMPOSE A CIVIL PENALTY NOT TO EXCEED \$5,000 PER SCHOOL DISTRICT, CHARTER SCHOOL OR STATE AGENCY WHERE THE VIOLATION OCCURS.

G. THIS SECTION DOES NOT PRECLUDE ANY TRAINING ON SEXUAL HARASSMENT OR LESSONS ON RECOGNIZING AND REPORTING ABUSE.

Sec. 22. Section 15-746, Arizona Revised Statutes, is amended to read:

15-746. School report cards

A. Each school shall distribute an annual report card that contains at least the following information:

1. A description of the school's regular, magnet and special instructional programs.

2. A description of the SCHOOL'S current academic goals ~~of the school~~.

3. A summary of EACH OF THE FOLLOWING:

(a) The results achieved by pupils enrolled at the school during the prior three school years as measured by the statewide assessment and the nationally standardized norm-referenced achievement test as designated by the state board and as reported in the annual report prescribed by section 15-743. ~~;~~

(b) ~~a summary of the~~ Pupil progress on an ongoing and annual basis, showing the trends in gain or loss in pupil achievement over time in reading, language arts and mathematics for all years in which pupils are enrolled in the school district for an entire school year and for which this information is available.

(c) ~~and a summary of the~~ Pupil progress for pupils who are not enrolled in a district for an entire school year.

4. The attendance rate of pupils enrolled at the school as reflected in the school's average daily membership as defined in section 15-901.

5. The total number of incidents that occurred on the school grounds, at school bus stops, on school buses and at school-sponsored events and that required the contact of a local, county, tribal, state or federal law enforcement officer pursuant to section 13-3411, subsection F, section 13-3620, section 15-341, subsection A, paragraph 30 or section 15-515. The total number of incidents reported shall only include reports that law enforcement officers report to the school THAT are supported by probable cause. For the purposes of this paragraph, a certified peace officer who serves as a school resource officer is a law enforcement officer. A school may provide clarifying information if the school has a school resource officer on campus.

6. The percentage of pupils who have either graduated to the next grade level or graduated from high school.

7. A description of the social services available at the school site.

8. The school calendar, including the length of the school day and hours of operations.

9. The total number of pupils enrolled at the school during the previous school year.
10. The transportation services available.
11. A description of the responsibilities of parents of children enrolled at the school.
12. A description of the responsibilities of the school to the parents of the children enrolled at the school, including dates the report cards are delivered to the home.
13. A description of the composition and duties of the school council as prescribed in section 15-351 if such a school council exists.

14. For the most recent year available, the average current expenditure per pupil for administrative functions compared to the predicted average current expenditure per pupil for administrative functions according to an analysis of administrative cost data by the joint legislative budget committee staff.

15. If the school provides instruction to pupils in kindergarten programs and grades one through three, the ratio of pupils to teachers in each classroom where instruction is provided in kindergarten programs and grades one through three.

16. The average class size per grade level for all grade levels, kindergarten programs and grades one through eight. For the purposes of this paragraph, "average class size" means the weighted average of each class.

B. The department of education shall develop a standardized report card format that meets the requirements of subsection A of this section. The department shall modify the standardized report card as necessary on an annual basis. The department shall distribute to each school in this state a copy of the standardized report card that includes the required test scores for each school. Additional copies of the standardized report card shall be available on request.

C. After each school has completed the report card distributed to it by the department of education, the school, in addition to distributing the report card as prescribed in subsection A of this section, shall send a copy of the report card to the department. The department shall prepare an annual report that contains the report card from each school in this state.

D. The school shall distribute report cards to parents of pupils enrolled at the school, ~~no~~ NOT later than the last day of school of each fiscal year, and shall present a summary of the contents of the report cards at an annual public meeting held at the school. The school shall give notice at least two weeks before the public meeting that clearly states the purposes, time and place of the meeting.

E. Beginning in fiscal year ~~2020-2021~~ 2021-2022, the school report card prescribed by this section shall include ~~the following school level data for charter schools and schools operated by school districts:~~ [A LINK TO ACCESS THE INFORMATION REQUIRED BY SECTION 15-747.](#)

- ~~1. The detailed total revenues generated by weighted student count.~~
- ~~2. The total allocated federal, state and local revenue.~~
- ~~3. The allocation of classroom site fund monies.~~
- ~~4. The amounts allocated for teacher pay and benefits, classroom supplies, student support and other expenditures.~~
- ~~5. A comparison of the school's funding information to other schools in the local education agency.~~

Sec. 23. Title 15, chapter 7, article 3, Arizona Revised Statutes, is amended by adding section 15-747, to read:

15-747. School financial transparency; portal; required information; third-party contractor

A. BEGINNING IN FISCAL YEAR 2021-2022, THE DEPARTMENT OF ADMINISTRATION SHALL DEVELOP A TRANSPARENT AND EASILY ACCESSIBLE SCHOOL FINANCIAL TRANSPARENCY PORTAL THAT INCLUDES THE FOLLOWING SCHOOL LEVEL DATA FOR CHARTER SCHOOLS, INDIVIDUAL SCHOOLS OPERATED BY A SCHOOL DISTRICT AND SCHOOL DISTRICTS:

1. THE DETAILED TOTAL REVENUES GENERATED BY WEIGHTED STUDENT COUNT.
2. THE TOTAL ALLOCATED FEDERAL, STATE AND LOCAL REVENUES.
3. THE ALLOCATION OF CLASSROOM SITE FUND MONIES
4. THE AMOUNTS ALLOCATED FOR TEACHER PAY AND BENEFITS, CLASSROOM SUPPLIES, STUDENT SUPPORT AND OTHER EXPENDITURES.
5. A COMPARISON OF THE FUNDING INFORMATION FOR EACH SCHOOL IN RELATION TO THE FUNDING INFORMATION FOR OTHER SCHOOLS IN THE SAME LOCAL EDUCATION AGENCY.

6. ANY OTHER INFORMATION THAT IS NECESSARY FOR A TRANSPARENT COMPARISON BETWEEN SCHOOLS WITH RESPECT TO THEIR REVENUES, EXPENDITURES, STUDENT DEMOGRAPHICS OR ACADEMIC ACHIEVEMENT.

B. THE DEPARTMENT OF EDUCATION AND THE STATE BOARD FOR CHARTER SCHOOLS SHALL PROVIDE AND ASSIST WITH ANY NECESSARY DATA OR FINANCIAL INFORMATION THE DEPARTMENT OF ADMINISTRATION OR THE CONTRACTOR SELECTED PURSUANT TO SUBSECTION C OF THIS SECTION REQUESTS TO COMPLY WITH AND IMPLEMENT SUBSECTION A OF THIS SECTION. THE AUDITOR GENERAL MAY PROVIDE ASSISTANCE RELATED TO THIS SECTION.

C. THE DEPARTMENT OF ADMINISTRATION SHALL CONTRACT WITH A THIRD PARTY TO DEVELOP THE PORTAL PRESCRIBED IN SUBSECTION A OF THIS SECTION. THE THIRD PARTY SELECTED BY THE DEPARTMENT MUST MEET ALL OF THE FOLLOWING:

1. HAVE EXPERIENCE IN BUILDING EDUCATION FINANCE PLATFORMS TO SHOW SCHOOL FINANCIAL INFORMATION IN A TRANSPARENT AND EASILY UNDERSTANDABLE FORMAT.
2. BE INCORPORATED FOR AT LEAST FIVE YEARS.
3. HAVE AN EXCLUSIVE FOCUS ON K-12 EDUCATION FINANCE TECHNOLOGY.
4. HAVE AT LEAST FIVE YEARS OF EXPERIENCE BUILDING CLOUD-HOSTED EDUCATION FINANCE SOFTWARE.
5. HAVE EXPERIENCE INTEGRATING WITH THE UNIFORM SYSTEM OF FINANCIAL RECORDS.

Sec. 24. Section 15-774, Arizona Revised Statutes, is amended to read:

15-774. Extraordinary special education needs fund; claim application; criteria; revisions; policies and procedures; annual report

A. The extraordinary special education needs fund is established consisting of legislative appropriations, gifts, grants and donations. Monies in the fund are ~~subject to legislative appropriation~~ CONTINUOUSLY APPROPRIATED and are exempt from the provisions of section 35-190 relating to lapsing of appropriations. The ~~state-board~~ DEPARTMENT of education shall administer the fund. THE DEPARTMENT MAY RETAIN UP TO TWO PERCENT OF THE MONIES IN THE FUND FOR THE PURPOSES OF ADMINISTERING THE FUND.

B. THE DEPARTMENT OF EDUCATION SHALL AWARD MONIES FROM THE FUND TO SCHOOL DISTRICTS AND CHARTER SCHOOLS WITH ELIGIBLE CLAIMS. A SCHOOL DISTRICT OR CHARTER SCHOOL IS ELIGIBLE TO RECEIVE MONIES FROM THE FUND IF THE SCHOOL DISTRICT OR CHARTER SCHOOL DEMONSTRATES TO THE DEPARTMENT THAT A STUDENT RECEIVING SPECIAL EDUCATION SERVICES HAS INCURRED COSTS IN THE CURRENT YEAR OF AT LEAST THE STATEWIDE PER PUPIL FUNDING AVERAGE MULTIPLIED BY THREE.

~~B:~~ C. A school district or charter school may apply to the ~~state-board~~ DEPARTMENT of education for an extraordinary special education needs ~~grant~~ CLAIM from the fund. The ~~state-board~~ DEPARTMENT of education shall prescribe the format of the ~~applications.~~ APPLICATION, WHICH shall include DO ALL OF the following:

1. ~~Demonstration of~~ DEMONSTRATE extraordinary needs, including ~~a description~~ DESCRIBING and ~~documentation of pupil~~ DOCUMENTING STUDENT services required and ~~evidence~~ SHOWING that the district or charter school is not able to absorb the costs of these services.

~~2. Evidence that monies from the fund will not supplant federal, local or other state efforts.~~

2. DEMONSTRATE TOTAL COSTS INCURRED IN THE CURRENT YEAR BY THE STUDENT FOR WHOM THE SCHOOL DISTRICT OR CHARTER SCHOOL IS APPLYING. A SCHOOL DISTRICT OR CHARTER SCHOOL MAY SUBMIT A CLAIM FOR UP TO THE FULL FISCAL YEAR IF THE EXPENSE INCURRED AT THE TIME OF FILING WILL CONTINUE TO BE INCURRED IN SUBSEQUENT QUARTERS UNTIL THE END OF THE SAME FISCAL YEAR. TOTAL COSTS SUBMITTED SHALL BE ITEMIZED AND ATTRIBUTABLE TO THE STUDENT FOR WHOM THE CLAIM IS BEING SUBMITTED. A SCHOOL DISTRICT OR CHARTER SCHOOL MAY SUBMIT A CLAIM FOR EXPENSES INCURRED AS A RESULT OF AN INDEPENDENT EDUCATIONAL EVALUATION.

3. Evidence that before ~~making an application~~ APPLYING for monies from the fund the school district or charter school ~~has~~ made sufficient efforts to seek but has not received funding to cover the COSTS OF extraordinary ~~costs~~ NEEDS applied for pursuant to paragraph 1 of this subsection from all other sources, including federal and other state sources of funding.

~~C. Extraordinary special education needs grants shall be used in the current year. All unspent grant monies shall be returned to the department of education at the end of the fiscal year for deposit, pursuant to sections 35-146 and 35-147, in the extraordinary special education needs fund.~~

D. THE DEPARTMENT OF EDUCATION SHALL EVALUATE CLAIM REQUESTS ON A QUARTERLY BASIS. IF THERE ARE INSUFFICIENT MONIES IN THE FUND TO FUND ALL ELIGIBLE CLAIMS WITHIN A GIVEN QUARTER, THE DEPARTMENT SHALL PRIORITIZE FUNDING BASED ON THE DIFFERENCE IN THE CLAIM AMOUNT SUBMITTED BY THE SCHOOL DISTRICT OR CHARTER SCHOOL AND THE TOTAL FUNDING THE SCHOOL DISTRICT OR CHARTER SCHOOL HAS RECEIVED FOR THAT STUDENT. IF A SCHOOL DISTRICT OR CHARTER SCHOOL SUBMITS A CLAIM WITH INSUFFICIENT INFORMATION, THE DEPARTMENT MAY NOTIFY THE SCHOOL DISTRICT OR CHARTER SCHOOL TO REVISE ITS CLAIM WITHIN TWO WEEKS.

E. IF A SCHOOL DISTRICT OR CHARTER SCHOOL INCURS AN ADDITIONAL EXPENSE FOR A STUDENT WHO RECEIVED FUNDING FOR A CLAIM FROM THE FUND IN THE SAME FISCAL YEAR, THE SCHOOL DISTRICT OR CHARTER SCHOOL MAY REVISE THE CLAIM AND MAY RECEIVE FUNDING AT THE END OF THE QUARTER IN WHICH THE CLAIM IS SUBMITTED, SUBJECT TO AVAILABLE MONIES IN THE FUND. THE DEPARTMENT SHALL PRIORITIZE REVISIONS IN THE SAME MANNER AS OTHER CLAIMS PURSUANT TO SUBSECTION D OF THIS SECTION.

F. THE DEPARTMENT OF EDUCATION SHALL ANNUALLY ADOPT POLICIES AND PROCEDURES FOR THE FUND AND POST THE POLICIES AND PROCEDURES ON THE

DEPARTMENT'S WEBSITE. THE POLICIES AND PROCEDURES MUST INCLUDE THE AVERAGE STATEWIDE PER PUPIL FUNDING AMOUNT FOR THAT FISCAL YEAR THAT WILL BE USED IN THE CALCULATION PRESCRIBED IN SUBSECTION B OF THIS SECTION.

G. ON OR BEFORE DECEMBER 15 OF EACH YEAR, THE DEPARTMENT OF EDUCATION SHALL SUBMIT A REPORT THAT OUTLINES ALL OF THE FOLLOWING TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING AND PROVIDE A COPY OF THIS REPORT TO THE SECRETARY OF STATE:

1. THE NUMBER OF EXTRAORDINARY SPECIAL EDUCATION NEEDS CLAIMS THAT WERE FUNDED IN THE PREVIOUS YEAR.

2. HOW SCHOOL DISTRICTS AND CHARTER SCHOOLS USED CLAIM MONIES.

3. THE TOTAL NUMBER OF CLAIMS RECEIVED IN THE PREVIOUS YEAR.

Sec. 25. Section 15-816, Arizona Revised Statutes, is amended to read:

15-816. Definitions

In this article, unless the context otherwise requires:

1. "Nonresident pupil" means a pupil who resides in this state and who is enrolled in or is seeking enrollment in a school district other than the school district in which the pupil resides.

2. "Open enrollment" means a policy **THAT IS** adopted and implemented by a school district governing board to allow resident transfer pupils to enroll in any school within the school district, to allow resident pupils to enroll in any school located within other school districts in this state and to allow nonresident pupils to enroll in any school within the district pursuant to section 15-816.01.

3. "RESIDENT PUPIL" MEANS A PUPIL WHOSE RESIDENCE IS WITHIN THE ATTENDANCE AREA OF A SCHOOL.

~~3~~ 4. "Resident school" means a school **THAT IS** within the designated attendance area in which a pupil resides.

~~4~~ 5. "Resident transfer pupil" means a resident pupil who is enrolled in or seeking enrollment in a school that is within the school district but outside the attendance area of the pupil's residence.

Sec. 26. Section 15-816.01, Arizona Revised Statutes, is amended to read:

15-816.01. Open enrollment policies; preference; selection process; transportation; reporting requirements; public awareness effort

A. School district governing boards shall establish policies and shall implement an open enrollment policy without charging tuition. Tuition may be charged to nonresident pupils only if the tuition is authorized under section 15-764, subsection C, section 15-797, subsection C, section 15-823, subsection A, section 15-824, subsection A or section 15-825 or if two school districts have entered into a voluntary agreement for the payment of tuition for certain pupils. These policies shall include ~~admission criteria, application procedures and transportation provisions~~ THE INFORMATION REQUIRED BY SUBSECTION I OF THIS SECTION, BASIC INFORMATION THAT IS NEEDED TO REQUEST ENROLLMENT AND THAT IS CONSISTENT WITH GUIDANCE AND STATE AND FEDERAL LAW REGARDING PUPIL PRIVACY AND CIVIL RIGHTS, AND INFORMATION REGARDING THE PROVISION OF TRANSPORTATION OR RESOURCES FOR TRANSPORTATION. THE POLICIES MUST BE EASILY ACCESSIBLE FROM THE HOME PAGE ON EACH SCHOOL'S WEBSITE AND BE AVAILABLE IN ENGLISH AND IN SPANISH OR IN ANY OTHER LANGUAGE USED BY A MAJORITY OF THE POPULATIONS SERVED BY THE SCHOOL OR SCHOOL DISTRICT. A SCHOOL DISTRICT SHALL UPDATE ON EACH SCHOOL'S WEBSITE THE SCHOOL'S CAPACITY AND WHETHER THE SCHOOL IS CURRENTLY ACCEPTING OPEN ENROLLMENT STUDENTS, BY GRADE LEVEL, AT LEAST ONCE EVERY TWELVE WEEKS UNLESS THERE ARE NO CHANGES TO REPORT FOR THE INDIVIDUAL SCHOOL. IF A SCHOOL HAS ANY OTHER SEPARATE CAPACITY BY SPECIALIZED PROGRAM, THE INFORMATION REQUIRED PURSUANT TO THIS SUBSECTION SHALL ALSO BE POSTED BY SPECIALIZED PROGRAM. SCHOOLS SHALL ACCEPT PUPILS THROUGHOUT THE SCHOOL YEAR AS CAPACITY ALLOWS. PUPILS WHO ARE DENIED ACCESS DUE TO CAPACITY SHALL BE INFORMED THAT THEY ARE ON A WAIT LIST AND OF THE DETAILS REGARDING THE PROCESS PRESCRIBED IN SUBSECTION E OF THIS SECTION. PUPILS SHALL BE SELECTED AS SEATS BECOME AVAILABLE.

B. A SCHOOL DISTRICT SHALL ENROLL AT ANY TIME ANY RESIDENT PUPIL WHO APPLIES FOR ENROLLMENT TO THE SCHOOL DISTRICT PURSUANT TO THIS SECTION. A SCHOOL DISTRICT SHALL GIVE ENROLLMENT PREFERENCE TO AND RESERVE CAPACITY FOR ALL OF THE FOLLOWING:

1. RESIDENT PUPILS.

2. PUPILS RETURNING TO THE SCHOOL FROM THE PRIOR YEAR.

3. SIBLINGS OF PUPILS ALREADY ENROLLED.

C. A school district may give enrollment preference to children who:

1. Are in foster care.

2. MEET THE DEFINITION OF UNACCOMPANIED YOUTH PRESCRIBED IN THE MCKINNEY-VENTO HOMELESS ASSISTANCE ACT (P.L. 100-77; 101 STAT. 482; 42 UNITED STATES CODE SECTION

11434a).

3. ATTEND A SCHOOL THAT IS CLOSING.

D. A school district may give enrollment preference to and reserve capacity for ALL OF THE FOLLOWING:

1. Pupils who are children of persons who are employed by or at a school in the school district. ~~A copy of the district policies for open enrollment shall be posted on the district's website and shall be available to the public on request.~~

2. RESIDENT TRANSFER PUPILS AND THEIR SIBLINGS.

3. PUPILS WHO MEET ADDITIONAL CRITERIA ESTABLISHED AND PUBLISHED BY THE SCHOOL DISTRICT GOVERNING BOARD PURSUANT TO SUBSECTION A OF THIS SECTION.

E. IF REMAINING CAPACITY AT A SCHOOL, AS DETERMINED BY THE SCHOOL DISTRICT GOVERNING BOARD, IS INSUFFICIENT TO ENROLL ALL PUPILS WHO SUBMIT A TIMELY REQUEST, THE SCHOOL OR SCHOOL DISTRICT SHALL SELECT PUPILS THROUGH AN EQUITABLE SELECTION PROCESS SUCH AS A LOTTERY, EXCEPT THAT PREFERENCE SHALL BE GIVEN TO THE SIBLINGS OF A PUPIL SELECTED THROUGH AN EQUITABLE SELECTION PROCESS SUCH AS A LOTTERY.

F. EXCEPT AS PROVIDED IN SUBSECTIONS A THROUGH E OF THIS SECTION, A SCHOOL THAT IS OPERATED BY A SCHOOL DISTRICT MAY NOT LIMIT ADMISSION BASED ON ANY OF THE FOLLOWING:

1. ETHNICITY OR RACE.

2. NATIONAL ORIGIN.

3. SEX.

4. INCOME LEVEL.

5. DISABILITY.

6. PROFICIENCY IN THE ENGLISH LANGUAGE.

7. ATHLETIC ABILITY.

~~B:~~ G. The governing board of the district educating the pupil may provide transportation limited to ~~no~~ NOT more than ~~twenty~~ THIRTY miles each way to and from the school of attendance or to and from a pickup point on a regular transportation route or for the total miles traveled each day to an adjacent district for eligible nonresident pupils who meet the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through ~~1785~~ 1793) for free or ~~reduced-price~~ REDUCED-PRICE lunches.

~~C:~~ H. The governing board of the district educating the pupil shall provide transportation limited to ~~no~~ NOT more than ~~twenty~~ THIRTY miles each way to and from the school of attendance or to and from a pickup point on a regular transportation route or for the total miles traveled each day to an adjacent district for nonresident pupils with disabilities whose individualized education program specifies that transportation is necessary ~~for fulfillment of~~ TO FULFILL the program.

I. THE STATE BOARD OF EDUCATION SHALL ADOPT A MODEL FORMAT THAT SCHOOL DISTRICTS MAY USE FOR DESCRIBING OPEN ENROLLMENT OPTIONS TO ENSURE CLARITY AND CONSISTENCY FOR PARENTS IN UNDERSTANDING THEIR ENROLLMENT OPTIONS AS DESCRIBED IN THIS SECTION AND ENROLLMENT CAPACITY AT EACH SCHOOL, INCLUDING THE ABILITY TO CHOOSE ANY SCHOOL WITHIN THE SCHOOL DISTRICT OF RESIDENCE OR ANY OTHER SCHOOL DISTRICT IN THIS STATE. THE STATE BOARD OF EDUCATION SHALL ADOPT RULES, POLICIES AND GUIDANCE CONSISTENT WITH STATE AND FEDERAL LAW FOR SCHOOL DISTRICTS TO USE WHILE ENROLLING STUDENTS PURSUANT TO THIS ARTICLE. PURSUANT TO THE SUPERVISORY DUTIES OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION, THE DEPARTMENT OF EDUCATION SHALL INVESTIGATE AND ENFORCE ANY COMPLAINTS THAT THE DEPARTMENT RECEIVES OR SUBSTANTIATED CLAIMS OF UNLAWFUL OR INAPPROPRIATE ENROLLMENT PRACTICES BY SCHOOL DISTRICTS PURSUANT TO STATE AND FEDERAL LAW AND SHALL REFER ANY COMPLAINTS RECEIVED REGARDING CHARTER SCHOOLS TO THE STATE BOARD FOR CHARTER SCHOOLS TO INVESTIGATE AND ENFORCE. THE DEPARTMENT OF EDUCATION SHALL REGULARLY UPDATE THE STATE BOARD OF EDUCATION ON ITS INVESTIGATIONS PURSUANT TO THIS SUBSECTION.

J. THE DEPARTMENT OF EDUCATION SHALL PROVIDE AN ANNUAL REPORT THAT INFORMS THE PUBLIC AND POLICYMAKERS OF THE OPEN ENROLLMENT PARTICIPATION RATE BY SCHOOL DISTRICT, SCHOOL AND COUNTY, INCLUDING THE NUMBER OF PUPILS, BY STUDENT SUBGROUP DESIGNATION, IN EACH SCHOOL AND SCHOOL DISTRICT THAT ARE OPEN ENROLLED AS RESIDENT PUPILS, RESIDENT TRANSFER PUPILS OR NONRESIDENT PUPILS FOR EACH SCHOOL DISTRICT AND THE SCHOOL DISTRICTS AND ZIP CODES FROM WHICH STUDENTS ARE ENROLLING. BY FISCAL YEAR 2022-2023, THIS PARTICIPATION REPORT SHALL ALSO INCLUDE THE NUMBER OF PUPILS ENROLLED IN CHARTER SCHOOLS AND THE SCHOOL DISTRICTS FROM WHICH THOSE PUPILS ARE ENROLLING.

K. SUBJECT TO THE AVAILABILITY OF APPROPRIATED MONIES, EACH JANUARY THE STATE BOARD OF EDUCATION SHALL DESIGN A PUBLIC AWARENESS EFFORT TO DISTRIBUTE MATERIALS THAT DO ALL OF THE FOLLOWING:

1. COMMUNICATE TO THE PUBLIC THE ABILITY TO CHOOSE ANY PUBLIC SCHOOL IN THIS STATE.

2. DIRECT THE PUBLIC TO RESOURCES TO LEARN ABOUT SCHOOL CHOICE OPTIONS IN THIS STATE.

3. INSTRUCT THE PUBLIC HOW TO REQUEST ENROLLMENT FOR PUPILS.

L. THE STATE BOARD OF EDUCATION MAY INCLUDE OTHER OPTIONS IN ITS INFORMATIONAL MATERIALS AND MESSAGING DEVELOPED UNDER SUBSECTION K OF THIS SECTION.

M. IN DESIGNING THE PUBLIC AWARENESS EFFORT AND DISTRIBUTING MATERIALS UNDER SUBSECTION K OF THIS SECTION, THE STATE BOARD OF EDUCATION MAY COLLABORATE WITH BOTH:

1. PUBLIC AND PRIVATE PARTNERS TO ASSIST THE STATE BOARD IN ACHIEVING THE OBJECTIVES PRESCRIBED IN SUBSECTION K OF THIS SECTION.

2. THE DEPARTMENT OF EDUCATION IN PROVIDING PARENTS AND THE PUBLIC WITH INFORMATIONAL RESOURCES.

Sec. 27. Section 15-901, Arizona Revised Statutes, is amended to read:

15-901. Definitions

A. In this title, unless the context otherwise requires:

1. "Average daily membership" means the total enrollment of fractional students and full-time students, minus withdrawals, of each school day through the first one hundred days or two hundred days in session, as applicable, for the current year. Withdrawals include students who are formally withdrawn from schools and students who are absent for ten consecutive school days, except for excused absences identified by the department of education. For the purposes of this section, school districts and charter schools shall report student absence data to the department of education at least once every sixty days in session. For computation purposes, the effective date of withdrawal shall be retroactive to the last day of actual attendance of the student or excused absence.

(a) "Fractional student" means:

(i) For common schools, a preschool child who is enrolled in a program for preschool children with disabilities of at least three hundred sixty minutes each week that meets at least two hundred sixteen hours over the minimum number of days or a kindergarten student who is at least five years of age before January 1 of the school year and enrolled in a school kindergarten program that meets at least three hundred fifty-six hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. In computing the average daily membership, preschool children with disabilities and kindergarten students shall be counted as one-half of a full-time student. For common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined in this section. A part-time common school student shall be counted as one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled as defined in subdivision (b) of this paragraph. The hours in which a student is scheduled to attend a common school during the regular school day shall be included in the calculation of the average daily membership for that student.

(ii) For high schools, a part-time student who is enrolled in less than four subjects that count toward graduation as defined by the state board of education, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, in a recognized high school. The average daily membership of a part-time high school student shall be 0.75 if the student is enrolled in an instructional program of three subjects that meet at least five hundred forty hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. The average daily membership of a part-time high school student shall be 0.5 if the student is enrolled in an instructional program of two subjects that meet at least three hundred sixty hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. The average daily membership of a part-time high school student shall be 0.25 if the student is enrolled in an instructional program of one subject that meets at least one hundred eighty hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. The hours in which a student is scheduled to attend a high school during the regular school day shall be included in the calculation of the average daily membership for that student.

(b) "Full-time student" means:

(i) For common schools, a student who is at least six years of age before January 1 of a school year, who has not graduated from the highest grade taught in the school district and who is regularly enrolled in a course of study required by the state board of education. First, second and third grade students or ungraded group B children with disabilities who are at least five, but under six, years of age by September 1 must be enrolled in an instructional program that meets for a total of at least seven hundred twelve hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. Fourth, fifth, sixth, seventh and eighth grade students must be enrolled in an instructional program that meets for a total of at least eight hundred ninety hours

for a one hundred eighty-day school year, or the instructional hours prescribed in this section, including the equivalent number of instructional hours for schools that operate on a one hundred forty-four-day school year. The hours in which a student is scheduled to attend a common school during the regular school day shall be included in the calculation of the average daily membership for that student.

(ii) For high schools, a student who has not graduated from the highest grade taught in the school district and who is enrolled in at least an instructional program of four or more subjects that count toward graduation as defined by the state board of education, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, that meets for a total of at least seven hundred twenty hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section in a recognized high school. A full-time student shall not be counted more than once for computation of average daily membership. The average daily membership of a full-time high school student shall be 1.0 if the student is enrolled in at least four subjects that meet at least seven hundred twenty hours for a one hundred eighty-day school year, or the equivalent instructional hours prescribed in this section. The hours in which a student is scheduled to attend a high school during the regular school day shall be included in the calculation of the average daily membership for that student.

(iii) If a child who has not reached five years of age before September 1 of the current school year is admitted to kindergarten and repeats kindergarten in the following school year, a school district or charter school is not eligible to receive basic state aid on behalf of that child during the child's second year of kindergarten. If a child who has not reached five years of age before September 1 of the current school year is admitted to kindergarten but does not remain enrolled, a school district or charter school may receive a portion of basic state aid on behalf of that child in the subsequent year. A school district or charter school may charge tuition for any child who is ineligible for basic state aid pursuant to this item.

(iv) Except as otherwise provided by law, for a full-time high school student who is concurrently enrolled in two school districts or two charter schools, the average daily membership shall not exceed 1.0.

(v) Except as otherwise provided by law, for any student who is concurrently enrolled in a school district and a charter school, the average daily membership shall be apportioned between the school district and the charter school and shall not exceed 1.0. The apportionment shall be based on the percentage of total time that the student is enrolled in or in attendance at the school district and the charter school.

(vi) Except as otherwise provided by law, for any student who is concurrently enrolled, pursuant to section 15-808, in a school district and Arizona online instruction or a charter school and Arizona online instruction, the average daily membership shall be apportioned between the school district and Arizona online instruction or the charter school and Arizona online instruction and shall not exceed 1.0. The apportionment shall be based on the percentage of total time that the student is enrolled in or in attendance at the school district and Arizona online instruction or the charter school and Arizona online instruction.

(vii) For homebound or hospitalized, a student receiving at least four hours of instruction per week.

(c) "Regular school day" means the regularly scheduled class periods intended for instructional purposes. Instructional purposes may include core subjects, elective subjects, lunch, study halls, music instruction, and other classes that advance the academic instruction of pupils, except that instructional purposes shall not include athletic practices or extracurricular clubs and activities.

2. "Budget year" means the fiscal year for which the school district is budgeting and that immediately follows the current year.

3. "Common school district" means a political subdivision of this state offering instruction to students in programs for preschool children with disabilities and kindergarten programs and either:

(a) Grades one through eight.

(b) Grades one through nine pursuant to section 15-447.01.

4. "Current year" means the fiscal year in which a school district is operating.

5. "Daily attendance" means:

(a) For common schools, days in which a pupil:

(i) Of a kindergarten program or ungraded, but not group B children with disabilities, who is at least five, but under six, years of age by September 1 attends at least three-quarters of the instructional time scheduled for the day. If the total instruction time scheduled for the year is at least three hundred fifty-six hours but is less than seven hundred twelve hours, such attendance shall be counted as one-half day of attendance. If the instructional time scheduled for the year is at least six hundred ninety-two hours, "daily attendance" means days in which a pupil attends at least one-half of the instructional time scheduled for the day. Such attendance shall be counted as one-half day of attendance.

(ii) Of the first, second or third grades attends more than three-quarters of the instructional time scheduled for the day.

(iii) Of the fourth, fifth or sixth grades attends more than three-quarters of the instructional time scheduled for the day, except as provided in section 15-797.

(iv) Of the seventh or eighth grades attends more than three-quarters of the instructional time scheduled for the day, except as provided in section 15-797.

(b) For common schools, the attendance of a pupil at three-quarters or less of the instructional time scheduled for the day shall be counted as follows, except as provided in section 15-797 and except that attendance

for a fractional student shall not exceed the pupil's fractional membership:

(i) If attendance for all pupils in the school is based on quarter days, the attendance of a pupil shall be counted as one-fourth of a day's attendance for each one-fourth of full-time instructional time attended.

(ii) If attendance for all pupils in the school is based on half days, the attendance of at least three-quarters of the instructional time scheduled for the day shall be counted as a full day's attendance and attendance at a minimum of one-half but less than three-quarters of the instructional time scheduled for the day equals one-half day of attendance.

(c) For common schools, the attendance of a preschool child with disabilities shall be counted as one-fourth day's attendance for each thirty-six minutes of attendance, except as provided in paragraph 1, subdivision (a), item (i) of this subsection for children with disabilities up to a maximum of three hundred sixty minutes each week.

(d) For high schools, the attendance of a pupil shall not be counted as a full day unless the pupil is actually and physically in attendance and enrolled in and carrying four subjects, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, that count toward graduation in a recognized high school except as provided in section 15-797 and subdivision (e) of this paragraph. Attendance of a pupil carrying less than the load prescribed shall be prorated.

(e) For high schools, the attendance of a pupil may be counted as one-fourth of a day's attendance for each sixty minutes of instructional time in a subject that counts toward graduation, except that attendance for a pupil shall not exceed the pupil's full or fractional membership.

(f) For homebound or hospitalized, a full day of attendance may be counted for each day during a week in which the student receives at least four hours of instruction.

(g) For school districts that maintain school for an approved year-round school year operation, attendance shall be based on a computation, as prescribed by the superintendent of public instruction, of the one hundred eighty days' equivalency or two hundred days' equivalency, as applicable, of instructional time as approved by the superintendent of public instruction during which each pupil is enrolled.

6. "Daily route mileage" means the sum of:

(a) The total number of miles driven daily by all buses of a school district while transporting eligible students from their residence to the school of attendance and from the school of attendance to their residence on scheduled routes approved by the superintendent of public instruction.

(b) The total number of miles driven daily on routes approved by the superintendent of public instruction for which a private party, a political subdivision or a common or a contract carrier is reimbursed for bringing an eligible student from the place of the student's residence to a school transportation pickup point or to the school of attendance and from the school transportation scheduled return point or from the school of attendance to the student's residence. Daily route mileage includes the total number of miles necessary to drive to transport eligible students from and to their residence as provided in this paragraph.

7. "District support level" means the base support level plus the transportation support level.

8. "Eligible students" means:

(a) Students who are transported by or for a school district and who qualify as full-time students or fractional students, except students for whom transportation is paid by another school district or a county school superintendent, and:

(i) For common school students, whose place of actual residence within the school district is more than one mile from the school facility of attendance or students who are admitted pursuant to section 15-816.01 and who meet the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches and whose actual place of residence outside the school district boundaries is more than one mile from the school facility of attendance.

(ii) For high school students, whose place of actual residence within the school district is more than one and one-half miles from the school facility of attendance or students who are admitted pursuant to section 15-816.01 and who meet the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches and whose actual place of residence outside the school district boundaries is more than one and one-half miles from the school facility of attendance.

(b) Kindergarten students, for purposes of computing the number of eligible students under subdivision (a), item (i) of this paragraph, shall be counted as full-time students, notwithstanding any other provision of law.

(c) Children with disabilities, as defined by section 15-761, who are transported by or for the school district or who are admitted pursuant to chapter 8, article 1.1 of this title and who qualify as full-time students or fractional students regardless of location or residence within the school district or children with disabilities whose transportation is required by the pupil's individualized education program.

(d) Students whose residence is outside the school district and who are transported within the school district on the same basis as students who reside in the school district.

9. "Enrolled" or "enrollment" means that a pupil is currently registered in the school district.

10. "GDP price deflator" means the average of the four implicit price deflators for the gross domestic product reported by the United States department of commerce for the four quarters of the calendar year.

11. "High school district" means a political subdivision of this state offering instruction to students for grades nine through twelve or that portion of the budget of a common school district that is allocated to teaching high school subjects with permission of the state board of education.

12. "Revenue control limit" means the base revenue control limit plus the transportation revenue control limit.

13. "Student count" means average daily membership as prescribed in this subsection for the fiscal year before the current year, except that for the purpose of budget preparation student count means average daily membership as prescribed in this subsection for the current year.

14. "Submit electronically" means submitted in a format and in a manner prescribed by the department of education.

15. "Total bus mileage" means the total number of miles driven by all buses of a school district during the school year.

16. "Total students transported" means all eligible students transported from their place of residence to a school transportation pickup point or to the school of attendance and from the school of attendance or from the school transportation scheduled return point to their place of residence.

17. "Unified school district" means a political subdivision of this state offering instruction to students in programs for preschool children with disabilities and kindergarten programs and grades one through twelve.

B. In this title, unless the context otherwise requires:

1. "Base" means the revenue level per student count specified by the legislature.

2. "Base level" means the following amounts plus the percentage increases to the base level as provided in sections 15-902.04 and 15-952, except that if a school district or charter school is eligible for an increase in the base level as provided in two or more of these sections, the base level amount shall be calculated by compounding rather than adding the sum of one plus the percentage of the increase from those different sections:

~~(a) For fiscal year 2018-2019, \$3,960.07.~~

~~(b)~~ (a) For fiscal year 2019-2020, \$4,150.43.

~~(c)~~ (b) For fiscal year 2020-2021, \$4,305.73.

(c) FOR FISCAL YEAR 2021-2022, \$4,390.65.

3. "Base revenue control limit" means the base revenue control limit computed as provided in section 15-944.

4. "Base support level" means the base support level as provided in section 15-943.

5. "Certified teacher" means a person who is certified as a teacher pursuant to the rules adopted by the state board of education, who renders direct and personal services to schoolchildren in the form of instruction related to the school district's educational course of study and who is paid from the maintenance and operation section of the budget.

6. "DD" means programs for children with developmental delays who are at least three years of age but under ten years of age. A preschool child who is categorized under this paragraph is not eligible to receive funding pursuant to section 15-943, paragraph 2, subdivision (b).

7. "ED, MIID, SLD, SLI and OHI" means programs for children with emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech/language impairment and other health impairments. A preschool child who is categorized as SLI under this paragraph is not eligible to receive funding pursuant to section 15-943, paragraph 2, subdivision (b).

8. "ED-P" means programs for children with emotional disabilities who are enrolled in private special education programs as prescribed in section 15-765, subsection D, paragraph 1 or in an intensive school district program as provided in section 15-765, subsection D, paragraph 2.

9. "ELL" means English learners who do not speak English or whose native language is not English, who are not currently able to perform ordinary classroom work in English and who are enrolled in an English language education program pursuant to sections 15-751, 15-752 and 15-753.

10. "Full-time equivalent certified teacher" or "FTE certified teacher" means for a certified teacher the following:

(a) If employed full time as defined in section 15-501, 1.00.

(b) If employed less than full time, multiply 1.00 by the percentage of a full school day, or its equivalent, or a full class load, or its equivalent, for which the teacher is employed as determined by the governing board.

11. "G" MEANS EDUCATIONAL PROGRAMS FOR GIFTED PUPILS WHO SCORE AT OR ABOVE THE NINETY-SEVENTH PERCENTILE, BASED ON NATIONAL NORMS, ON A TEST ADOPTED BY THE STATE BOARD OF EDUCATION.

~~12.~~ 12. "Group A" means educational programs for career exploration, a specific learning disability, an emotional disability, a mild intellectual disability, remedial education, a speech/language impairment, developmental delay, homebound, ~~PUPILS, bilingual, PUPILS AND PUPILS WITH~~ other health impairments **and gifted pupils.**

~~13.~~ 13. "Group B" means educational improvements for pupils in kindergarten programs and grades one through three, educational programs for autism, a hearing impairment, a moderate intellectual disability, multiple disabilities, multiple disabilities with severe sensory impairment, orthopedic impairments, preschool severe delay, a severe intellectual disability and emotional disabilities for school age pupils enrolled in private

special education programs or in school district programs for children with severe disabilities or visual impairment and English learners enrolled in a program to promote English language proficiency pursuant to section 15-752.

~~13:~~ 14. "HI" means programs for pupils with hearing impairment.

~~14:~~ 15. "Homebound" or "hospitalized" means a pupil who is capable of profiting from academic instruction but is unable to attend school due to illness, disease, accident or other health conditions, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for a period of not less than three school months or a pupil who is capable of profiting from academic instruction but is unable to attend school regularly due to chronic or acute health problems, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for intermittent periods of time totaling three school months during a school year. The medical certification shall state the general medical condition, such as illness, disease or chronic health condition, that is the reason that the pupil is unable to attend school. Homebound or hospitalized includes a student who is unable to attend school for a period of less than three months due to a pregnancy if a competent medical doctor, after an examination, certifies that the student is unable to attend regular classes due to risk to the pregnancy or to the student's health.

~~15:~~ 16. "K-3" means kindergarten programs and grades one through three.

~~16:~~ 17. "K-3 reading" means reading programs for pupils in kindergarten programs and grades one, two and three.

~~17:~~ 18. "MD-R, A-R and SID-R" means resource programs for pupils with multiple disabilities, autism and severe intellectual disability.

~~18:~~ 19. "MD-SC, A-SC and SID-SC" means self-contained programs for pupils with multiple disabilities, autism and severe intellectual disability.

~~19:~~ 20. "MD-SSI" means a program for pupils with multiple disabilities with severe sensory impairment.

~~20:~~ 21. "MOID" means programs for pupils with moderate intellectual disability.

~~21:~~ 22. "OI-R" means a resource program for pupils with orthopedic impairments.

~~22:~~ 23. "OI-SC" means a self-contained program for pupils with orthopedic impairments.

~~23:~~ 24. "PSD" means preschool programs for children with disabilities as provided in section 15-771.

~~24:~~ 25. "P-SD" means programs for children who meet the definition of preschool severe delay as provided in section 15-771.

~~25:~~ 26. "Qualifying tax rate" means the qualifying tax rate specified in section 15-971 applied to the assessed valuation used for primary property taxes.

~~26:~~ 27. "Small isolated school district" means a school district that meets all of the following:

(a) Has a student count of fewer than six hundred in kindergarten programs and grades one through eight or grades nine through twelve.

(b) Contains no school that is fewer than thirty miles by the most reasonable route from another school, or, if road conditions and terrain make the driving slow or hazardous, fifteen miles from another school that teaches one or more of the same grades and is operated by another school district in this state.

(c) Is designated as a small isolated school district by the superintendent of public instruction.

~~27:~~ 28. "Small school district" means a school district that meets all of the following:

(a) Has a student count of fewer than six hundred in kindergarten programs and grades one through eight or grades nine through twelve.

(b) Contains at least one school that is fewer than thirty miles by the most reasonable route from another school that teaches one or more of the same grades and is operated by another school district in this state.

(c) Is designated as a small school district by the superintendent of public instruction.

~~28:~~ 29. "Transportation revenue control limit" means the transportation revenue control limit computed as prescribed in section 15-946.

~~29:~~ 30. "Transportation support level" means the support level for pupil transportation operating expenses as provided in section 15-945.

~~30:~~ 31. "VI" means programs for pupils with visual impairments.

Sec. 28. Section 15-901.08, Arizona Revised Statutes, as added by Laws 2021, chapter 299, section 4, is amended to read:

15-901.08. School year; school month; instructional time models; requirements; funding; definition

A. Except as may be otherwise authorized by the superintendent of public instruction to accommodate a year-round school operation or as otherwise prescribed under an instructional time model adopted pursuant to this section, the school year begins July 1 and ends June 30, and a school month is twenty school days or four weeks of five days each.

B. Notwithstanding any other law, for the purposes of meeting the instructional time and instructional hours requirements prescribed in sections 15-808 and 15-901, a school district governing board, after at least two public hearings in the school district, or a charter school governing body for one or more schools may adopt any instructional time models as prescribed in this section to meet the minimum annual instructional time and instructional hours requirements prescribed in sections 15-808 and 15-901 for all of the following purposes:

1. Determining average daily membership.
2. Determining daily attendance.
3. Determining student count.
4. Any other purpose relating to instructional time or instructional hours prescribed in section 15-808 or 15-901.

C. Notwithstanding any other law, all of the following apply to an instructional time model adopted by a school district governing board or charter school governing body for one or more schools pursuant to this section:

1. Students shall receive the minimum instructional time or instructional hours required under section 15-808 or 15-901, as applicable, for the full school year in any day, week and course length increments adopted by the school district governing board or charter school governing body.

2. A school ~~district or charter school~~ may deliver the annual required instructional time or instructional hours to students through any combination of the following:

- (a) Direct instruction.
- (b) Project-based learning.
- (c) Independent learning.
- (d) Mastery-based learning, which may be delivered in a blended classroom serving multiple grade levels or providing blended grade level content.

3. A school ~~district or charter school~~ may define instructional time and instructional hours to include any combination of the following:

- (a) In-person instruction.
- (b) Remote instruction, subject to all of the following:
 - (i) During school year 2021-2022, ~~each A school district and charter school~~ may provide up to fifty percent of its total instructional time in a remote setting without any impact ~~on TO~~ the ~~school district's or charter school's~~ funding. Beginning in school year 2022-2023 and each school year thereafter, ~~each A school district and charter school~~ may provide up to forty percent of its total instructional time in a remote setting without any impact ~~on TO~~ the ~~school district's or charter school's~~ funding.

- (ii) If a school ~~district or charter school~~ provides instructional time in a remote setting beyond the threshold prescribed in item (i) of this subdivision in any school year, the department of education shall calculate funding as prescribed in subsection D of this section.

- (iii) The department of education shall annually provide a list of ~~school districts~~ **SCHOOLS** that provide more than the allowed instructional time in a remote setting to the state board of education. The state board of education shall determine whether the school ~~district~~ must apply to become an online school under section 15-808.

- (iv) The department of education shall annually provide a list of charter schools that provide more than the allowed instructional time in a remote setting to the state board for charter schools. The state board for charter schools shall determine whether the charter school must apply to become an online school under section 15-808.

4. A school ~~district or charter school~~ may reallocate any minimum instructional time or instructional hours per course required under section 15-808 or 15-901 or any other statute to other courses on a per-student basis so that students are able to spend more of their required instructional time or instructional hours on courses of greater depth or courses that require additional learning time to catch up to grade level or to stay on pace.

5. A school ~~district or charter school~~ may stagger learning times and schedules for students and may offer courses and other instructional time options on the weekend or in the evenings so that all students are not expected to attend or complete their school day or instructional time at the same time.

6. A school ~~district or charter school~~ shall align its attendance policies to reflect the instructional time and instructional hours policies prescribed under the adopted instructional time model.

D. If a school ~~district or charter school~~ provides remote instructional time beyond the threshold prescribed in subsection C, paragraph 3, subdivision (b), item (i) of this section in any school year, the department of education shall calculate funding as follows:

1. Calculate the total percentage of instructional time provided by the school ~~district or charter school~~ in a remote setting.

2. Subtract the allowable threshold prescribed in subsection C, paragraph 3, subdivision (b), item (i) of this section from the amount calculated pursuant to paragraph 1 of this subsection.

3. Fund the percentage of the base support level equal to the percentage calculated in paragraph 2 of this subsection at ninety-five percent of the base support level that would otherwise be calculated for the school ~~district or charter school~~.

E. For the purposes of this section, "mastery-based learning" means a system in which students advance to higher levels of learning when they demonstrate mastery of concepts and skills regardless of time, place or pace.

Sec. 29. Section 15-907, Arizona Revised Statutes, is amended to read:

15-907. Incurring liabilities in excess of school district budget; petition; approval; procedure for expenditures

A. In the event of excessive and unexpected legal expenses or for an emergency for which the school district did not receive funding ~~from the school facilities board~~ pursuant to section ~~15-2022~~ 41-5721 because there were insufficient monies in the emergency deficiencies correction fund, the governing board of the school district may petition the county school superintendent, or in the case of an accommodation school, the county school superintendent may petition the county board of supervisors, requesting authority to incur liabilities in excess of the school district budget, in an amount the governing board deems necessary. The governing board of the school district shall follow the procedures for the truth in taxation notice and hearing prescribed in section 15-905.01, subsection B.

B. The county school superintendent shall forward the petition together with the superintendent's recommendation and a copy of the budget of the school district to the board of supervisors.

C. The board of supervisors shall hold a hearing on the petition within twenty days after receipt and shall determine whether the petition shall be allowed, allowed after revision or denied.

D. If the petition is allowed in whole or in part, the governing board shall be authorized to incur liabilities in accordance with the petition, and a copy of the order of the board of supervisors authorizing the incurring of such liabilities shall be filed with the county school superintendent. The county school superintendent, ~~upon~~ **ON** presentation of proper vouchers, shall draw warrants against the additional allowance. Any liability so incurred shall be in addition to the aggregate budget estimate of the school district for the succeeding year.

E. The portion of the primary tax rate to fund these liabilities in excess of the school district budget as provided in this section shall not be included in the computation of additional state aid for education prescribed in section 15-972.

Sec. 30. Section 15-911, Arizona Revised Statutes, is amended to read:

15-911. Aggregate expenditure limitation; aggregate expenditures of local revenues; adjustments

A. **ON OR BEFORE JUNE 1 OF EACH YEAR**, the legislature shall ~~on or before June 1 of each year~~ transmit to the state board of education the aggregate expenditure limitation for all school districts for the following fiscal year ~~which~~ **THAT** the economic estimates commission determines as provided in section 41-563, subsection C.

B. On or before November 1 of each year, the state board of education shall determine and report to the president of the senate, the speaker of the house of representatives, ~~and~~ the chairman of the joint legislative budget committee **AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING** the aggregate expenditures of local revenues as defined in article IX, section 21, subsection (4), Constitution of Arizona, for all school districts for the current year.

C. If the aggregate expenditures of local revenues ~~which~~ **THAT** the state board determines as provided in subsection B of this section ~~are in excess of~~ **EXCEED** the expenditure limitation determined as provided in section 41-563, subsection C:

1. On or before November 1 the state board shall notify each school district that may be affected by subsections D and E of this section and inform it of the amount by which it may have to reduce its expenditures of local revenues.

2. On or before March 1 the legislature, on approval of two-thirds of the membership of each house of the legislature, may authorize the expenditures of local revenues in excess of the expenditure limitation for the current fiscal year.

D. The state board of education shall:

1. Determine the amount of the expenditures of local revenues ~~in excess of~~ **THAT EXCEED** the expenditure limitation.

2. Determine the amount of expenditures of local revenues for each school district and the total amount for all of the school districts.

3. Divide the amount determined in paragraph 1 of this subsection by the total amount determined in paragraph 2 of this subsection.

4. Multiply the quotient determined in paragraph 3 of this subsection by the amount determined in paragraph 2 of this subsection for each school district.

E. If the legislature fails to authorize the expenditures of local revenues ~~in excess of~~ **THAT EXCEED** the expenditure limitation as provided in subsection C, paragraph 2 of this section, on or before March 5 the state board of education shall inform each school district of the amount it is to reduce its expenditures of local revenues, and each school district shall reduce its expenditures of local revenues by the amount determined in subsection D, paragraph 4 of this section. **ON OR BEFORE APRIL 1**, the governing board of each school district ~~shall on or before April 1~~, after it gives notice and holds a public meeting in a similar manner as provided in section 15-905, subsections C and D, **SHALL** adopt a revised budget for the current year ~~which shall~~ **THAT DOES** not exceed the previously adopted budget for the current year, ~~less~~ **MINUS** the amount ~~which~~ the state board of education specifies for reduction in expenditures of local revenues. Not later than April 4, the budget as revised shall be submitted electronically to the superintendent of public instruction.

Sec. 31. Title 15, chapter 9, article 2, Arizona Revised Statutes, is amended by adding section 15-924, to read:

15-924. In lieu of transportation grants

A. NOTWITHSTANDING ANY OTHER LAW, BEGINNING IN THE 2021-2022 SCHOOL YEAR, A SCHOOL DISTRICT MAY USE A PORTION OF ITS TRANSPORTATION FUNDING ALLOCATED PURSUANT TO SECTIONS 15-945 AND 15-946 TO PROVIDE IN LIEU OF TRANSPORTATION GRANTS TO PARENTS OF STUDENTS WHO ATTEND THE SCHOOL DISTRICT PURSUANT TO A PLAN SUBMITTED TO THE DEPARTMENT OF EDUCATION. SCHOOL DISTRICTS MAY ISSUE GRANTS TO SUPPORT INDIVIDUAL PARENTS OR NEIGHBORHOOD CARPOOLS IN TRANSPORTING STUDENTS TO SCHOOL. A SCHOOL DISTRICT'S TRANSPORTATION FUNDING ALLOCATION MAY NOT BE REDUCED OR OTHERWISE DIMINISHED DUE TO THE SCHOOL DISTRICT AWARDING GRANTS PURSUANT TO THIS SECTION.

B. NOTWITHSTANDING ANY OTHER LAW, BEGINNING IN THE 2021-2022 SCHOOL YEAR, A CHARTER SCHOOL MAY USE A PORTION OF ITS CHARTER ADDITIONAL ASSISTANCE FUNDING ALLOCATED PURSUANT TO SECTION 15-185 TO PROVIDE IN LIEU OF TRANSPORTATION GRANTS TO PARENTS OF STUDENTS WHO ATTEND THE CHARTER SCHOOL PURSUANT TO A PLAN SUBMITTED TO THE DEPARTMENT OF EDUCATION. CHARTER SCHOOLS MAY ISSUE GRANTS TO SUPPORT INDIVIDUAL PARENTS OR NEIGHBORHOOD CARPOOLS IN TRANSPORTING STUDENTS TO SCHOOL. PARTICIPATING CHARTER SCHOOLS SHALL REPORT TO THE DEPARTMENT REGARDING THE MONIES AWARDED TO PARENTS AS REQUIRED BY THE DEPARTMENT.

C. THE DEPARTMENT OF EDUCATION SHALL ADOPT POLICIES AND PROCEDURES TO ACCOUNT FOR EXPENDITURES UNDER THIS SECTION AND TO REQUIRE PROOF OF ATTENDANCE FOR STUDENTS WHOSE TRANSPORTATION IS SUPPORTED THROUGH GRANTS UNDER THIS SECTION.

Sec. 32. Section 15-943, Arizona Revised Statutes, is amended to read:

15-943. Base support level

The base support level for each school district shall be computed as follows:

1. The following support level weights shall be used in paragraph 2, subdivision (a) of this section for the following school districts:

(a) For school districts whose student count in kindergarten programs and grades one through eight is classified in column 1 of this subdivision, the support level weight for kindergarten programs and grades one through eight is the corresponding support level weight prescribed in column 2 or 3 of this subdivision, whichever is appropriate:

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
	Support Level Weight For Small Isolated	Support Level Weight For Small
<u>Student Count</u>	<u>School Districts</u>	<u>School Districts</u>
1-99	1.559	1.399
100-499	1.358 + [0.0005 x (500 - student count)]	1.278 + [0.0003 x (500 - student count)]
500-599	1.158 + [0.002 x (600 - student count)]	1.158 + [0.0012 x (600 - student count)]

(b) For school districts whose student count in grades nine through twelve is classified in column 1 of this subdivision, the support level weight for grades nine through twelve is the corresponding support level weight prescribed in column 2 or 3 of this subdivision, whichever is appropriate:

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
	Support Level Weight For Small Isolated	Support Level Weight For Small
<u>Student Count</u>	<u>School Districts</u>	<u>School Districts</u>
1-99	1.669	1.559
100-499	1.468 + [0.0005 x (500 - student count)]	1.398 + [0.0004 x (500 - student count)]
500-599	1.268 + [0.002 x (600 - student count)]	1.268 + [0.0013 x (600 - student count)]

2. Subject to paragraph 1 of this section, determine the weighted student count as follows:

	Support Level	Student Weight	Weighted Student Count	
<u>Grade Base</u>	<u>Group A</u>	<u>Weight</u>	<u>Count</u>	<u>Count</u>
PSD	1.000	+ 0.450	= 1.450	x =
K-8	1.000	+ 0.158	= 1.158	x =
9-12	1.163	+ 0.105	= 1.268	x =
		Subtotal	A	

(b)

Funding Category	Support	Weighted	
	Level	Student	Student
	Weight	Count	Count
HI	4.771 x	=	
K-3	0.060 x	=	
K-3 reading	0.040 x	=	
ELL	0.115 x		=
MD-R, A-R and SID-R	6.024 x		=
MD-SC, A-SC and SID-SC	5.833 x	=	
	5.988		
MD-SSI	7.947 x	=	
OI-R	3.158 x	=	
OI-SC	6.773 x	=	
P-SD	3.595 x		=
DD, ED, MIID, SLD, SLI and OHI	0.003 x		=
	0.093		
ED-P	4.822 x	=	
MOID	4.421 x		=
VI	4.806 x	=	
G	0.007 x	=	
	Subtotal	B	

(c) Total of subtotals A and B:

3. Multiply the total determined in paragraph 2 of this section by the base level.

4. Multiply the teacher experience index of the district or 1.00, whichever is greater, by the product obtained in paragraph 3 of this section.

5. For the purposes of this section, the student count is the average daily membership as prescribed in section 15-901 for the current year, except that for the purposes of computing the base support level used in determining school district rollover allocations and school district budget override amounts, the student count is the average daily membership as prescribed in section 15-901 for the prior year.

Sec. 33. Section 15-945, Arizona Revised Statutes, is amended to read:

15-945. Transportation support level

A. The support level for to and from school for each school district for the current year shall be computed as follows:

1. Determine the approved daily route mileage of the school district for the fiscal year prior to the current year.

2. Multiply the figure obtained in paragraph 1 of this subsection by one hundred eighty, or for a school district that elects to provide two hundred days of instruction pursuant to section 15-902.04, multiply the figure obtained in paragraph 1 of this subsection by two hundred.

3. Determine the number of eligible students transported in the fiscal year prior to the current year.

4. Divide the amount determined in paragraph 1 of this subsection by the amount determined in paragraph 3 of this subsection to determine the approved daily route mileage per eligible student transported.

5. Determine the classification in column 1 of this paragraph for the quotient determined in paragraph 4 of this subsection. Multiply the product obtained in paragraph 2 of this subsection by the corresponding state support level for each route mile as provided in column 2 of this paragraph.

<u>Column 1</u>	<u>Column 2</u>
Approved Daily Route Mileage per Eligible Student Transported	State Support Level per Route Mile for Fiscal Year 2020-2021 2021-2022
0.5 or less	2.74 2.77
More than 0.5 through 1.0	2.24 2.27
More than 1.0	2.74 2.77

6. Add the amount spent during the prior fiscal year for bus tokens and bus passes for students who qualify as eligible students as defined in section 15-901.

B. The support level for academic education, career and technical education, vocational education and athletic trips for each school district for the current year is computed as follows:

1. Determine the classification in column 1 of paragraph 2 of this subsection for the quotient determined in subsection A, paragraph 4 of this section.

2. Multiply the product obtained in subsection A, paragraph 5 of this section by the corresponding state support level for academic education, career and technical education, vocational education and athletic trips as

provided in column 2, 3 or 4 of this paragraph, whichever is appropriate for the type of district.

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
Approved Daily Route			
Mileage per Eligible Student Transported	District Type <u>02 or 03</u>	District Type <u>04</u>	District Type <u>05</u>
0.5 or less	0.15	0.10	0.25
More than 0.5 through 1.0	0.15	0.10	0.25
More than 1.0	0.18	0.12	0.30

For the purposes of this paragraph, "district type 02" means a unified school district or an accommodation school that offers instruction in grades nine through twelve, "district type 03" means a common school district not within a high school district, "district type 04" means a common school district within a high school district or an accommodation school that does not offer instruction in grades nine through twelve and "district type 05" means a high school district.

C. The support level for extended school year services for pupils with disabilities is computed as follows:

1. Determine the sum of the following:

(a) The total number of miles driven by all buses of a school district while transporting eligible pupils with disabilities on scheduled routes from their residence to the school of attendance and from the school of attendance to their residence on routes for extended school year services in accordance with section 15-881.

(b) The total number of miles driven on routes approved by the superintendent of public instruction for which a private party, a political subdivision or a common or a contract carrier is reimbursed for bringing an eligible pupil with a disability from the place of the pupil's residence to a school transportation pickup point or to the school facility of attendance and from the school transportation scheduled return point or from the school facility to the pupil's residence for extended school year services in accordance with section 15-881.

2. Multiply the sum determined in paragraph 1 of this subsection by the state support level for the district determined as provided in subsection A, paragraph 5 of this section.

D. The transportation support level for each school district for the current year is the sum of the support level for to and from school as determined in subsection A of this section, the support level for academic education, career and technical education, vocational education and athletic trips as determined in subsection B of this section and the support level for extended school year services for pupils with disabilities as determined in subsection C of this section.

E. The state support level for each approved route mile, as provided in subsection A, paragraph 5 of this section, shall be adjusted by the growth rate prescribed by law, subject to appropriation.

F. School districts must provide the odometer reading for each bus as of the end of the current year and the total bus mileage during the current year.

Sec. 34. Section 15-964, Arizona Revised Statutes, is amended to read:

15-964. Federal impact adjustment

A. The governing board of a school district may compute a federal impact adjustment to the unrestricted capital budget limit. The maximum amount of the federal impact adjustment is the sum of the following:

1. Twenty-five ~~per cent~~ **PERCENT** of the monies received from forest reserve funds by the school district in the prior fiscal year as provided in section 41-736.

2. For a school district that is not an accommodation school, the lesser of:

(a) Twenty-five ~~per cent~~ **PERCENT** of the title VIII of the elementary and secondary education act of 1965 revenues received in the prior fiscal year.

(b) The total amount of title VIII of the elementary and secondary education act of 1965 revenues received in the prior fiscal year minus the sum of the following:

(i) The amount of title VIII of the elementary and secondary education act of 1965 assistance used to increase the general budget limit as provided in section 15-905, subsections K and O for the prior fiscal year.

(ii) The amount budgeted for title VIII of the elementary and secondary education act of 1965 administrative costs as provided in section 15-905, subsection P for the current year.

(iii) The amount budgeted for principal and interest on impact aid revenue bonds pursuant to section ~~15-2104~~ **41-5804** for the current year.

B. The federal impact adjustment shall only be budgeted and expended for new construction, major renovation of buildings or expenditures that may be budgeted in the unrestricted capital fund.

C. If the governing board underestimated the amount of the federal impact adjustment for the current year, the board may adjust the unrestricted capital budget limit and the budget before May 15. If the board overestimated the amount of the federal impact adjustment for the current year, the board shall adjust the unrestricted capital budget limit and the budget before May 15. Not later than May 18, the budget as revised shall be submitted electronically to the superintendent of public instruction.

Sec. 35. Section 15-973, Arizona Revised Statutes, is amended to read:

15-973. Apportionment of funds; expenditure limitation

A. The state board of education shall apportion state aid from appropriations made for that purpose to the several counties on the basis of state aid entitlement for the school districts in each county. An allowance shall not be made for nonresident alien children or for wards of the United States for whom tuition is paid, but

attendance of a student in a school of a county adjoining the county of the student's residence outside the state under a certificate of educational convenience as provided by section 15-825 shall be deemed to be enrollment in the school of the county or school district of the student's residence.

B. Apportionments shall be made as follows:

1. BY THE CLOSE OF BUSINESS ON THE FIFTEENTH DAY OF BUSINESS OF JULY, ONE-TWELFTH OF THE TOTAL AMOUNT TO BE APPORTIONED DURING THE FISCAL YEAR.

~~1: 2.~~ By the close of business on the **first FIFTEENTH** day of business of August, one-twelfth of the total amount to be apportioned during the fiscal year.

~~2: 3.~~ By the close of business on the **first FIFTEENTH** day of business of September, one-twelfth of the total amount to be apportioned during the fiscal year.

~~3: 4.~~ By the close of business on the **first FIFTEENTH** day of business of October, one-twelfth of the total amount to be apportioned during the fiscal year.

~~4: 5.~~ By the close of business on the **first FIFTEENTH** day of business of November, one-twelfth of the total amount to be apportioned during the fiscal year.

~~5: 6.~~ By the close of business on the **first FIFTEENTH** day of business of December, one-twelfth of the total amount to be apportioned during the fiscal year.

~~6: 7.~~ By the close of business on the **first FIFTEENTH** day of business of January, one-twelfth of the total amount to be apportioned during the fiscal year.

~~7: 8.~~ By the close of business on the **first FIFTEENTH** day of business of February, one-twelfth of the total amount to be apportioned during the fiscal year.

~~8: 9.~~ By the close of business on the **first FIFTEENTH** day of business of March, one-twelfth of the total amount to be apportioned during the fiscal year.

~~9: 10.~~ By the close of business on the **first FIFTEENTH** day of business of April, one-twelfth of the total amount to be apportioned during the fiscal year.

~~10: 11.~~ By the close of business on the **first FIFTEENTH** day of business of May, one-twelfth of the total amount to be apportioned during the fiscal year.

~~11: 12.~~ By the close of business on the **first FIFTEENTH** day of business of June, one-twelfth of the total amount to be apportioned during the fiscal year.

~~12. By the close of business on the last day of business of June, one-twelfth of the total amount to be apportioned during the fiscal year.~~

The superintendent of public instruction shall furnish to the county treasurer and the county school superintendent an abstract of the apportionment and shall certify the apportionment to the department of administration, which shall draw its warrant in favor of the county treasurer of each county for the amount apportioned. On receipt of the warrant, the county treasurer shall notify the county school superintendent of the amount, together with any other monies standing to the credit of that school district, in the county school fund.

C. Notwithstanding subsection B of this section, if sufficient appropriated monies are available and on a showing by a school district that additional state monies are necessary for current expenses, an apportionment or part of an apportionment of state aid may be paid to the school district **prior to BEFORE** the date set for that apportionment by subsection B of this section. A school district may not receive more than three-fourths of its total apportionment before May 1 of the fiscal year. Early payments pursuant to this subsection must be approved by the state treasurer, the director of the department of administration and the superintendent of public instruction.

D. The superintendent of public instruction shall not make application to the federal government to utilize title VIII of the elementary and secondary education act of 1965 monies in determining the apportionment prescribed in this section.

E. If a school district that is eligible to receive monies pursuant to this article is unable to meet a scheduled payment on any lawfully incurred long-term obligation for debt service as provided in section 15-1022, the county treasurer shall use any amount distributed pursuant to this section to make the payment. The county treasurer shall keep a record of all the instances in which a payment is made pursuant to this subsection. Any monies subsequently collected by the district to make the scheduled payment shall be used to replace the amount diverted pursuant to this subsection. When determining the total amount to be funded by a levy of secondary taxes on property within the school district for the following fiscal year, the county board of supervisors shall add to the amounts budgeted to be expended during the following fiscal year an amount equal to the total of all payments pursuant to this subsection during the current fiscal year that were not repaid during the current year.

F. The total amount of state monies that may be spent in any fiscal year by the state board of education for apportionment of state aid for education shall not exceed the amount appropriated or authorized by section 35-173 for that purpose. This section does not impose a duty on an officer, agent or employee of this state to discharge a responsibility or create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the expenditure authorized by legislative appropriation for that specific purpose.

G. THE DEPARTMENT OF EDUCATION MAY REQUIRE LOCAL EDUCATION AGENCIES TO SUBMIT THE STUDENT LEVEL DATA NECESSARY TO DETERMINE THE APPORTIONMENT OF

STATE AID PURSUANT TO THIS SECTION ON OR BEFORE JULY 1 AND ON OR BEFORE THE FIRST DAY OF EACH MONTH THEREAFTER.

Sec. 36. Section 15-995, Arizona Revised Statutes, is amended to read:

15-995. Special district assessment for adjacent ways by school district

A. The governing board of a school district may contract for constructing, maintaining or otherwise improving any public way adjacent to any parcel of land owned by the school district or leased for school purposes by the school district, or an intersection of any public way adjoining a quarter block in which the parcel of land is situated, and for ~~the construction of~~ **CONSTRUCTING** sidewalks, sewers, utility lines, roadways and other related improvements in or along such streets and intersections, and to pay for such improvements by ~~the levy of~~ **LEVYING** a special assessment on the taxable property in the school district. A school district shall not use any portion of the monies generated from the special assessment for any construction, maintenance or other improvements to the school district's property except improvements necessary to ensure the safe ingress to and egress from public school property directly adjacent to the public way for buses and fire equipment. The assessment shall be made a part of the itemized statement that is regularly filed with the county school superintendent and that shows the amount of monies needed for the expenses of schools within the school district for the ensuing year. Each adjacent ways project proposal to be funded through this special assessment must be filed with the **DIVISION OF** school facilities ~~board~~ **WITHIN THE DEPARTMENT OF ADMINISTRATION** and include the project cost estimate. If the entire project cost for the adjacent ways project is greater than ~~fifty thousand dollars~~ **\$50,000**, the ~~school facilities board~~ **DIVISION** shall approve or deny the project within sixty days after ~~receipt of~~ **RECEIVING** the filing of the project proposal by the school district and the expenditure shall not be made unless the ~~school facilities board~~ **DIVISION** validates both of the following within sixty days after ~~receipt of~~ **RECEIVING** the filing of the proposal:

1. The project that is proposed to be funded by the assessment ~~is in compliance~~ **COMPLIES** with state laws relating to adjacent ways projects.

2. The proposal selected by the school district does not contain additional work that is not listed in the adjacent ways proposal submitted by the school district.

B. If any property that is owned by a school district or leased by a school district for school purposes from any city or county, the state or the United States is included within the assessment district to be assessed to pay the costs and expenses of any public improvements initiated by a city, in order to make the assessments thereon payable by the city in which the improvement is initiated, the governing board may contract with the municipality or its improvement district to reimburse it for the amount of the assessment against the property and to pay the amount so contracted for by the levy of a special assessment as provided by subsection A of this section.

C. The governing board of the school district shall follow the truth in taxation notice and hearing requirements prescribed in section 15-905.01, subsection B.

D. The portion of the primary tax rate to fund adjacent ways as provided in this section shall not be included in the computation of additional state aid for education as prescribed in section 15-972.

Sec. 37. Section 15-996, Arizona Revised Statutes, is amended to read:

15-996. Duties of county treasurer relating to school district's monies

The county treasurer shall:

1. Receive and hold all school district monies and keep a separate account for each school district and for the special county school reserve fund. The county treasurer may maintain separate accounts for each fund of a school district or the county treasurer may maintain only two accounts for each school district's monies in addition to the funds provided for in sections 15-1024, 15-1025 and ~~15-2041~~ **41-5741**. If only two accounts are maintained, the first account shall consist of maintenance and operation, unrestricted capital outlay and adjacent ways monies and the classroom site fund prescribed in section 15-977 and the second account shall consist of federal and state grant monies and all other monies.

2. Pool school district monies for investment except as provided in sections 15-1024 and 15-1025. Interest earned on the monies pooled for investment shall be apportioned at least quarterly to the appropriate school district based on an average monthly balance as prescribed in the uniform system of accounting for county treasurers as provided in section 41-1279.21.

3. Notwithstanding section 11-605, register warrants only as follows:

(a) If separate accounts are maintained for each fund, warrants may only be registered on the maintenance and operation, unrestricted capital outlay and adjacent ways accounts and the classroom site fund prescribed in section 15-977 and only if the total cash balance of all three accounts is insufficient to pay the warrants, except that, during the period of time when a school district is under receivership pursuant to section 15-103, a warrant may be registered on the debt service account for which the cash balance in the debt service account is insufficient to cover the debt service payment if there are not sufficient monies in the debt service account to cover the debt.

(b) If the county treasurer maintains only two accounts as provided in paragraph 1 of this section:

(i) The county treasurer may register warrants only on the first account and only if the balance of that account is insufficient to pay the warrants.

(ii) The county treasurer may honor warrants for any federal or state grant fund with a negative balance as long as the total balance in the second account is positive. If the second account total balance is negative, the warrant for a federal or state grant fund shall be charged to the maintenance and operation fund. Any interest charged to the federal or state grant fund as a result of a negative balance that is in excess of interest earned on the fund shall be transferred to the maintenance and operation fund at the end of the fiscal year or the end of the grant year. If a federal or state grant fund has a negative balance at the end of the fiscal year or grant year, sufficient expenditures shall be transferred to the maintenance and operation fund to eliminate the negative balance.

4. Notify the county school superintendent by the fifteenth day of each calendar month of the month end balances of each school district account.

5. Pay warrants issued by the county school superintendent and duly endorsed by the person entitled to receive the monies.

6. On each property tax bill and each property tax statement prepared, separately state and identify by name each school district's primary property tax rate, the secondary property tax rate that is associated with overrides, the secondary property tax rate that is associated with class A bonds and the secondary property tax rate that is associated with class B bonds. For the purposes of this paragraph, "class A bonds" and "class B bonds" have the same meanings prescribed in section 15-101.

Sec. 38. Section 15-1021, Arizona Revised Statutes, is amended to read:

15-1021. Limit on bonded indebtedness; limit on authorization and issuance of bonds; definitions

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

B. From and after December 31, 1998, a school district may issue class B bonds for the purposes specified in this section and chapter 4, article 5 of this title to an amount in the aggregate, including the existing class B indebtedness, not exceeding ten percent of the net assessed value of the full cash value of the property in that school district, or ~~one thousand five hundred dollars~~ **\$1,500** per student count pursuant to section 15-901, subsection A, paragraph 13, whichever amount is greater. A school district shall not issue class B bonds until the proceeds of any class A bonds issued by the school district have been obligated in contract. The total amount of class A and class B bonds issued by a school district shall not exceed the debt limitations prescribed in article IX, section 8, Constitution of Arizona.

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

D. From and after December 31, 1998, a unified school district, as defined under article IX, section 8.1, Constitution of Arizona, may issue class B bonds for the purposes specified in this section and chapter 4, article 5 of this title to an amount in the aggregate, including the existing class B indebtedness, not exceeding twenty percent of the net assessed value of the full cash value of the property in that school district, or ~~one thousand five hundred dollars~~ **\$1,500** per student count pursuant to section 15-901, subsection A, paragraph 13, whichever amount is greater. A unified school district shall not issue class B bonds until the proceeds of any class A bonds issued by the unified school district have been obligated in contract. The total amount of class A and class B bonds issued by a unified school district shall not exceed the debt limitations prescribed in article IX, section 8.1, Constitution of Arizona.

E. Bonds authorized to be issued by an election held after July 1, 1980 and before November 24, 2009 may not be issued more than six years after the date of the election, except that the time period may be extended to ten years pursuant to an election conducted pursuant to section 15-491, subsection A, paragraph 6 and except that class A bonds shall not be issued after December 31, 1999. Bonds authorized to be issued by an election held after November 24, 2009 may not be issued more than ten years after the date of the election.

F. Except as provided in section 15-491, subsection A, paragraph 3, bond proceeds shall not be expended for items whose useful life is less than the average life of the bonds issued, except that bond proceeds shall not be expended for items whose useful life is less than five years.

G. A career technical education district shall not spend class B bond proceeds to construct or renovate a facility located on the campus of a school in a school district that participates in the career technical education district unless the facility is only used to provide career and technical education and is available to all pupils who live within the career technical education district. If the facility is not owned by the career technical education district, an intergovernmental agreement or a written contract shall be executed for ten years or the duration of the bonded indebtedness, whichever is greater. The intergovernmental agreement or written contract shall include provisions:

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

2. That include the process to be used by the participating district to compensate the career technical education district in the event that the facility is no longer used only for career and technical education programs offered by the career technical education district during the life of the bond.

H. A school district shall not authorize, issue or sell bonds pursuant to this section if the school district has any existing indebtedness from impact aid revenue bonds pursuant to **TITLE 41, chapter 16 56, article 8 of this title**, except for bonds issued to refund any bonds issued by the governing board.

I. For the purposes of this section, "full cash value" and "net assessed value" have the same meanings prescribed in section 42-11001.

Sec. 39. Section 15-1043, Arizona Revised Statutes, is amended to read:

15-1043. Student level data; allowable disclosure; policies

A. Any disclosure of educational records compiled by the department of education pursuant to this article shall comply with the family educational rights and privacy act (20 United States Code section 1232g).

B. Student level data may not be updated unless the change is authorized by the school district, career technical education district or charter school.

C. The department of education shall adopt policies and procedures to **BOTH:**

1. Allow access of student level data for currently enrolled students to ALL OF THE FOLLOWING:

(a) School districts. ↴

(b) Career technical education districts. and

(c) Charter schools.

2. ALLOW ACCESS OF STUDENT LEVEL DATA TO ALL OF THE FOLLOWING:

(a) COUNTY SCHOOL SUPERINTENDENTS FOR STUDENTS CURRENTLY ENROLLED IN A SCHOOL DISTRICT LOCATED IN THE SUPERINTENDENT'S COUNTY OF JURISDICTION.

(b) THE STATE BOARD OF EDUCATION FOR STUDENTS CURRENTLY ENROLLED IN A SCHOOL DISTRICT OR CHARTER SCHOOL IN THIS STATE.

(c) THE STATE BOARD FOR CHARTER SCHOOLS FOR STUDENTS CURRENTLY ENROLLED IN A CHARTER SCHOOL SPONSORED BY THE STATE BOARD FOR CHARTER SCHOOLS.

D. THE DEPARTMENT OF EDUCATION SHALL DEVELOP, PUBLISH AND MAKE PUBLICLY AVAILABLE POLICIES AND PROCEDURES TO COMPLY WITH THE FAMILY EDUCATIONAL RIGHTS AND PRIVACY ACT OF 19 (20 UNITED STATES CODE SECTION 1232g) AND OTHER RELEVANT PRIVACY LAWS AND POLICIES, INCLUDING POLICIES THAT MANAGE ACCESS TO PERSONALLY IDENTIFIABLE INFORMATION, TO BE IMPLEMENTED BY THE DEPARTMENT OF EDUCATION, COUNTY SCHOOL SUPERINTENDENTS, THE STATE BOARD OF EDUCATION AND THE STATE BOARD FOR CHARTER SCHOOLS PURSUANT TO THIS SECTION AND AS PRESCRIBED BY INTERAGENCY DATA-SHARING AGREEMENTS. THE POLICIES AND PROCEDURES MUST COMPLY WITH ALL OF THE FOLLOWING:

1. CONTAIN A DETAILED DATA SECURITY PLAN THAT INCLUDES ALL OF THE FOLLOWING:

(a) GUIDELINES FOR AUTHORIZING ACCESS TO THE SYSTEMS HOUSING STUDENT LEVEL DATA AND TO INDIVIDUAL STUDENT DATA, INCLUDING GUIDELINES FOR AUTHENTICATING AUTHORIZED ACCESS.

(b) PRIVACY COMPLIANCE STANDARDS.

(c) PRIVACY AND SECURITY AUDITS.

(d) SECURITY BREACH PLANNING, NOTICE AND PROCEDURES.

(e) DATA RETENTION AND DISPOSITION POLICIES, WHICH MUST INCLUDE SPECIFIC CRITERIA FOR IDENTIFYING WHEN AND HOW THE DATA WILL BE DESTROYED.

(f) GUIDANCE FOR SCHOOL DISTRICTS, CHARTER SCHOOLS AND STAFF REGARDING DATA USE.

(g) CONSEQUENCES FOR SECURITY BREACHES.

(h) STAFF TRAINING REGARDING THE GUIDELINES.

2. ENSURE THAT WRITTEN AGREEMENTS INVOLVING THE DISCLOSURE OF STUDENT LEVEL DATA TO THE DEPARTMENT OF EDUCATION, COUNTY SCHOOL SUPERINTENDENTS, THE STATE BOARD OF EDUCATION AND THE STATE BOARD FOR CHARTER SCHOOLS COMPLY WITH ALL OF THE FOLLOWING:

(a) MEET THE MINIMUM CONDITIONS PRESCRIBED BY THE FAMILY EDUCATIONAL RIGHTS AND PRIVACY ACT FOR EXCEPTIONS TO WRITTEN PARENTAL CONSENT AS OUTLINED IN 20 UNITED STATES CODE SECTION 1232g(b) AND (h) THROUGH (j) AND 34 CODE OF FEDERAL REGULATIONS SECTION 99.31.

(b) SPECIFY THE PURPOSE, SCOPE AND DURATION OF THE DISCLOSURE AND THE INFORMATION TO BE DISCLOSED.

(c) REQUIRE THE ORGANIZATION TO USE PERSONALLY IDENTIFIABLE INFORMATION FROM EDUCATIONAL RECORDS ONLY TO MEET THE PURPOSE OR PURPOSES OF THE

DISCLOSURE AS STATED IN THE WRITTEN AGREEMENT.

(d) REQUIRE THE ORGANIZATION TO CONDUCT THE DISCLOSURE IN A MANNER THAT DOES NOT ALLOW ACCESS TO THE PERSONALLY IDENTIFIABLE INFORMATION OF PARENTS AND STUDENTS BY ANYONE OTHER THAN REPRESENTATIVES OF THE ORGANIZATION WITH LEGITIMATE INTERESTS.

(e) REQUIRE THE ORGANIZATION TO DESTROY ALL PERSONALLY IDENTIFIABLE INFORMATION WHEN THE INFORMATION IS NO LONGER NEEDED FOR THE PURPOSES FOR WHICH THE DISCLOSURE WAS CONDUCTED AND TO SPECIFY THE TIME PERIOD IN WHICH THE INFORMATION MUST BE DESTROYED.

3. ENSURE THAT ANY WORK PRODUCTS FROM THE USE OF STUDENT LEVEL DATA BY THE DEPARTMENT OF EDUCATION, COUNTY SCHOOL SUPERINTENDENTS, THE STATE BOARD OF EDUCATION OR THE STATE BOARD FOR CHARTER SCHOOLS ARE NOT IN CONFLICT WITH ANY STATE AND FEDERAL REPORTING THAT MEETS STATE AND FEDERAL LAW.

4. PROVIDE ACCESS TO STUDENT LEVEL DATA THROUGH AN ONLINE PLATFORM WITHIN THE PARAMETERS OF FEDERAL LAW AND PURSUANT TO THE WRITTEN AGREEMENTS WITH THE CONSENT OF THE REQUIRED PARTIES.

E. THIS SECTION DOES NOT APPLY TO A HOMESCHOOL STUDENT WITH AN AFFIDAVIT ON FILE PURSUANT TO SECTION 15-802.

Sec. 40. Section 15-1107, Arizona Revised Statutes, is amended to read:

15-1107. Litigation recovery fund; disposition of proceeds

A. Monies received for and derived from settlement of legal controversies or from recovery of costs, attorney fees or damages by a school district in litigation by or against the school district shall be deposited with the county treasurer who shall credit the deposits to the litigation recovery fund of the school district. The litigation recovery fund is a continuing fund that is not subject to reversion.

B. If a school district receives monies as provided in subsection A of this section for the purpose of replacing or repairing school buildings or other school property, the governing board, or the superintendent or chief administrative officer with the approval of the governing board, may apply the proceeds only to:

1. Reimburse the ~~school facilities board~~ building renewal grant fund established by section ~~15-2032~~ **41-5731** or the emergency deficiencies correction fund established by section ~~15-2022~~ **41-5721** to the extent that monies were received ~~by the school district from the school facilities board~~; **FROM THOSE FUNDS** for replacing or repairing school buildings or other school property that was the subject of the dispute and the monies recovered by the school district pursuant to subsection A of this section are designated for the replacement or repair. The school district shall prioritize the reimbursement ~~of the school facilities board~~ **AS DESCRIBED IN THIS PARAGRAPH**, if applicable.

2. Pay any outstanding bonded indebtedness of the school district that is payable from the levy of taxes on property within the school district.

3. Construct, acquire, improve, repair or furnish school buildings after notice. If the proceeds are applied to a project that costs more than ~~two hundred fifty thousand dollars~~ **\$250,000**, the governing board, or the superintendent or chief administrative officer with the approval of the governing board, may apply the proceeds after notice and a hearing.

4. Replace or repair the school property other than school buildings.

C. Except as provided in subsection B of this section, the governing board, or the superintendent or chief administrative officer with the approval of the governing board, may apply the proceeds of litigation recoveries to procure legal services or for the costs of litigation.

Sec. 41. Title 15, chapter 10, Arizona Revised Statutes, is amended by adding article 13, to read:

**ARTICLE 13. INDUSTRY—RECOGNIZED CERTIFICATION
AND LICENSURE REIMBURSEMENT FUND**

15-1265. Industry-recognized certification and licensure reimbursement fund; exemption; qualifications

A. THE INDUSTRY-RECOGNIZED CERTIFICATION AND LICENSURE REIMBURSEMENT FUND IS ESTABLISHED AND CONSISTS OF LEGISLATIVE APPROPRIATIONS, GIFTS, GRANTS AND OTHER DONATIONS. THE DEPARTMENT OF EDUCATION SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

B. THE DEPARTMENT SHALL USE MONIES IN THE FUND TO ELIMINATE OR REDUCE EXAM COSTS TO OBTAIN INDUSTRY-RECOGNIZED CERTIFICATES AND LICENSES FOR LOW-INCOME STUDENTS. TO QUALIFY FOR REIMBURSEMENT, A STUDENT SHALL:

1. SUCCESSFULLY PASS A CERTIFICATE OR LICENSE EXAM RELATED TO A CAREER AND TECHNICAL EDUCATION PROGRAM.

2. MEET ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1793) FOR FREE OR REDUCED-PRICE LUNCHES.

3. APPLY TO THE CAREER AND TECHNICAL EDUCATION DISTRICT TO RECEIVE REIMBURSEMENT FOR THE COST OF THE EXAM. THE CAREER AND TECHNICAL EDUCATION DISTRICT SHALL APPLY TO THE DEPARTMENT TO RECEIVE REIMBURSEMENT FOR THE COST OF THE EXAM.

C. IF THE AVAILABLE FUND MONIES ARE NOT SUFFICIENT TO COVER THE COSTS OF ALL QUALIFIED APPLICANTS, THE DEPARTMENT SHALL REDUCE THE REWARD AMOUNT FOR EACH STUDENT IN PROPORTION TO THE EXAM COST.

Sec. 42. Title 15, chapter 10.1, article 1, Arizona Revised Statutes, is amended by adding section 15-1286, to read:

15-1286. State treasurer; annual reports; distributions from funds

A. ON OR BEFORE SEPTEMBER 1 OF EACH YEAR, THE STATE TREASURER SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING ON DISTRIBUTIONS MADE FROM THE STUDENT SUPPORT AND SAFETY FUND ESTABLISHED BY SECTION 15-1281 TO THE STATE TREASURER, AUDITOR GENERAL, DEPARTMENT OF EDUCATION, DEPARTMENT OF REVENUE AND STATE BOARD OF EDUCATION PURSUANT TO SECTION 15-1281, SUBSECTION B. THE REPORT SHALL INCLUDE ACTUAL DISTRIBUTIONS MADE TO EACH ENTITY IN THE PRIOR FISCAL YEAR AND ESTIMATED DISTRIBUTIONS FOR THE CURRENT FISCAL YEAR.

B. ON OR BEFORE SEPTEMBER 1 OF EACH YEAR, THE STATE TREASURER SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING ON DISTRIBUTIONS MADE FROM THE CAREER TRAINING AND WORKFORCE FUND ESTABLISHED BY SECTION 15-1282 TO THE STATE TREASURER AND THE DEPARTMENT OF EDUCATION PURSUANT TO SECTION 15-1282, SUBSECTION B. THE REPORT SHALL INCLUDE ACTUAL DISTRIBUTIONS MADE TO EACH ENTITY IN THE PRIOR FISCAL YEAR AND ESTIMATED DISTRIBUTIONS FOR THE CURRENT FISCAL YEAR.

Sec. 43. Section 15-1304, Arizona Revised Statutes, is amended to read:

15-1304. Land reserved for use and benefit of school; schools for the deaf and the blind fund; cooperative services fund; definition

A. The grant of one hundred thousand acres of land for schools for the deaf and the blind made by the enabling act approved June 20, 1910, or the proceeds of such lands as are sold or otherwise disposed of, is forever reserved for the use and benefit of the school for the deaf and the blind.

B. ~~No~~ Land exchanges or sales or commercial leases in excess of ten years of land of the grant by the United States for the use and benefit of the school for the deaf and the blind shall **NOT** be disposed of except by majority approval of the voting members of the board of directors of the school.

C. The superintendent of the school shall annually report to the board on the use of monies that are the proceeds of or income from the proceeds of land of the grant by the United States for the use and benefit of the school.

D. The schools for the deaf and the blind fund is established consisting of monies from expendable earnings of the grant in subsection A of this section, monies from the department of education for special educational vouchers for deaf and blind students pursuant to section 15-1202, except for monies dedicated to regional school cooperatives, which ~~are continuously appropriated~~ **SHALL INSTEAD BE DEPOSITED IN THE COOPERATIVE SERVICES FUND PURSUANT TO SUBSECTION E OF THIS SECTION**, and overage and nonresident student monies collected pursuant to section 15-1345. Monies in the fund are subject to legislative appropriation and are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

E. THE COOPERATIVE SERVICES FUND IS ESTABLISHED CONSISTING OF MONIES FROM THE DEPARTMENT OF EDUCATION FOR SPECIAL EDUCATION INSTITUTIONAL VOUCHERS FOR DEAF AND BLIND STUDENTS PURSUANT TO SECTION 15-1202 WHO ARE ENROLLED IN REGIONAL SCHOOL COOPERATIVES, MEMBERSHIP FEES PAID BY SCHOOL DISTRICTS AND CHARTER SCHOOLS PARTICIPATING IN REGIONAL SCHOOL COOPERATIVES AND FEE-FOR-SERVICE PAYMENTS MADE BY SCHOOL DISTRICTS AND CHARTER SCHOOLS ON BEHALF OF STUDENTS ENROLLED IN REGIONAL SCHOOL COOPERATIVES FOR WHOM THE SCHOOLS DO NOT RECEIVE A SPECIAL EDUCATION INSTITUTIONAL VOUCHER PURSUANT TO SECTION 15-1202. THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE SUBJECT TO LEGISLATIVE APPROPRIATION AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

F. FOR THE PURPOSES OF THIS SECTION, "REGIONAL SCHOOL COOPERATIVES" MEANS REGIONAL PROGRAMS AND SERVICES OFFERED BY THE SCHOOLS IN CONJUNCTION WITH OTHER SCHOOL DISTRICTS AND CHARTER SCHOOLS FOR STUDENTS WITH A HEARING IMPAIRMENT, SENSORY IMPAIRMENT OR VISUAL IMPAIRMENT WHO ATTEND A SCHOOL OPERATED BY A SCHOOL DISTRICT OR A CHARTER SCHOOL IN THIS STATE.

Sec. 44. **Repeal**

Section **15-2003**, Arizona Revised Statutes, is repealed.

Sec. 45. **Transfer and renumber**

Title 15, chapter 16, Arizona Revised Statutes, is transferred and renumbered for placement in title 41, Arizona Revised Statutes, as a new chapter 56. Title 15, chapter 16, articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11, Arizona Revised Statutes, are transferred and renumbered for placement in title 41, chapter 56, Arizona Revised Statutes, as added by this act, as new articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11, respectively. The following sections are transferred and renumbered for placement in title 41, chapter 56, article 1:

<u>Former Sections</u>	<u>New Sections</u>	
15-2001		41-
5701.02		
15-2002		
41-5702		
15-2004		
41-5703		
15-2005		
41-5704		
15-2006		
41-5705		
The following section is transferred and renumbered for placement in title 41, chapter 56, article 2:		
<u>Former Section</u>	<u>New Section</u>	
15-2011		
41-5711		
The following section is transferred and renumbered for placement in title 41, chapter 56, article 3:		
<u>Former Section</u>	<u>New Section</u>	
15-2022		
41-5721		
The following section is transferred and renumbered for placement in title 41, chapter 56, article 4:		
<u>Former Section</u>	<u>New Section</u>	
15-2032		
41-5731		
The following section is transferred and renumbered for placement in title 41, chapter 56, article 5:		
<u>Former Section</u>	<u>New Section</u>	
15-2041		
41-5741		
The following sections are transferred and renumbered for placement in title 41, chapter 56, article 6:		
<u>Former Sections</u>	<u>New Sections</u>	
15-2051		
41-5751		
15-2052		
41-5752		
15-2053		
41-5753		
15-2054		
41-5754		
15-2055		
41-5755		
15-2056		
41-5756		
15-2057		

41-5757
15-2059

41-5758
15-2060

41-5759
15-2061

41-5760
15-2062

41-5761
15-2064

41-5762
15-2065

41-5763
15-2066

41-5764
The following sections are transferred and renumbered for placement in title 41, chapter 56, article 7:

<u>Former Sections</u>	<u>New Sections</u>
15-2081	

41-5781
15-2082

41-5782
15-2083

41-5783
15-2084

41-5784
15-2085

41-5785
15-2086

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15-2087

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15-2090

41-5790
15-2091

41-5791
15-2093

41-5792
15-2094

41-5793

15-2095

41-5794

The following sections are transferred and renumbered for placement in title 41, chapter 56, article 8:

Former Sections

New Sections

15-2101

41-5801

15-2102

41-5802

15-2103

41-5803

15-2104

41-5804

15-2105

41-5805

15-2106

41-5806

15-2107

41-5807

15-2108

41-5808

15-2109

41-5809

15-2110

41-5810

15-2111

41-5811

15-2112

41-5812

15-2113

41-5813

15-2114

41-5814

15-2115

41-5815

The following sections are transferred and renumbered for placement in title 41, chapter 56, article 9:

Former Sections

New Sections

15-2131

41-5831

15-2132

41-5832

The following section is transferred and renumbered for placement in title 41, chapter 56, article 10:

Former Section

New Section

15-2141

41-5841

The following sections are transferred and renumbered for placement in title 41, chapter 56, article 11:

Former Sections

New Sections

15-2151
41-5851	15-2152
41-5852	15-2153
41-5853	15-2154
41-5854	15-2155
41-5855	15-2156
41-5856	15-2157
41-5857	15-2158

41-5858

Sec. 46. Section 15-2401, Arizona Revised Statutes, is amended to read:

15-2401. Definitions

In this chapter, unless the context otherwise requires:

1. "Annual education plan" means an initial individualized evaluation and subsequent annual reviews that are developed for a qualified student who meets the criteria specified in paragraph 7, subdivision (a), item (i), (ii) or (iii) of this section to determine ongoing annual eligibility through the school year in which the qualified student reaches twenty-two years of age and whether the student may be eligible pursuant to section 36-2981 and should be referred for eligibility determination.

2. "Curriculum" means a course of study for content areas or grade levels, including any supplemental materials required or recommended by the curriculum, approved by the department.

3. "Department" means the department of education.

4. "Eligible postsecondary institution" means a community college as defined in section 15-1401, a university under the jurisdiction of the Arizona board of regents or an accredited private postsecondary institution.

5. "Parent" means a resident of this state who is the parent, stepparent or legal guardian of a qualified student.

6. "Qualified school" means a nongovernmental primary or secondary school or a preschool for pupils with disabilities that is located in this state or, for qualified students who reside within the boundaries of an Indian reservation in this state, that is located in an adjacent state and that is within two miles of the border of the state in which the qualified student resides, and that does not discriminate on the basis of race, color or national origin.

7. "Qualified student" means a resident of this state who:

(a) Is any of the following:

(i) Identified as having a disability under section 504 of the rehabilitation act of 1973 (29 United States Code section 794).

(ii) Identified by a school district or by an independent third party pursuant to section 15-2403, subsection I as a child with a disability as defined in section 15-731 or 15-761.

(iii) A child with a disability who is eligible to receive services from a school district under section 15-763.

(iv) Attending a school or school district that **has been WAS** assigned a letter grade of D or F pursuant to section 15-241 **FOR THE MOST RECENT YEAR IN WHICH LETTER GRADES WERE ASSIGNED** or **who** is currently eligible to attend kindergarten and **who** resides within the attendance boundary of a school that **has been WAS** assigned a letter grade of D or F pursuant to section 15-241 **FOR THE MOST RECENT YEAR IN WHICH LETTER GRADES WERE ASSIGNED. A CHILD WHO MEETS THE REQUIREMENTS OF THIS ITEM AND WHO MEETS THE INCOME ELIGIBILITY REQUIREMENTS FOR FREE AND REDUCED-PRICE LUNCHES UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1793) IS NOT SUBJECT TO SUBDIVISION (b) OF THIS PARAGRAPH.**

(v) A previous recipient of a scholarship issued pursuant to section 15-891 or this section, unless the qualified student's parent has been removed from eligibility in the program for failure to comply pursuant to section 15-2403, subsection C.

(vi) A child of a parent who is a member of the armed forces of the United States and who is on active duty or was killed in the line of duty. A child who meets the requirements of this item is not subject to subdivision (b) of this paragraph.

(vii) A child who is a ward of the juvenile court and who is residing with a prospective permanent placement pursuant to section 8-862 and the case plan is adoption or permanent guardianship.

(viii) A child who was a ward of the juvenile court and who achieved permanency through adoption or permanent guardianship.

(ix) A child who is the sibling of a current or previous Arizona empowerment scholarship account recipient or of an eligible qualified student who accepts the terms of and enrolls in an Arizona empowerment scholarship account.

(x) A child who resides within the boundaries of an Indian reservation in this state as determined by the department of education or a tribal government.

(xi) A child of a parent who is legally blind or deaf or hard of hearing as defined in section 36-1941.

(b) And, except as provided in subdivision (a), ~~item~~ **ITEMS (iv) AND (vi)** of this paragraph, who meets any of the following requirements:

(i) Attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least ~~the first one hundred~~ **FORTY-FIVE** days of the **CURRENT OR** prior fiscal year and who transferred from a governmental primary or secondary school under a contract to participate in an Arizona empowerment scholarship account. **KINDERGARTEN STUDENTS WHO ARE ENROLLED IN ARIZONA ONLINE INSTRUCTION MUST RECEIVE TWO HUNDRED HOURS OF LOGGED INSTRUCTION TO BE ELIGIBLE PURSUANT TO THIS ITEM.** First, second and third grade students who are enrolled in Arizona online instruction must receive four hundred hours of logged instruction to be eligible pursuant to this item. Fourth, fifth and sixth grade students who are enrolled in Arizona online instruction must receive five hundred hours of logged instruction to be eligible pursuant to this item. Seventh and eighth grade students who are enrolled in Arizona online instruction must receive five hundred fifty hours of logged instruction to be eligible pursuant to this item. High school students who are enrolled in Arizona online instruction must receive five hundred hours of logged instruction to be eligible pursuant to this item.

(ii) Previously participated in an Arizona empowerment scholarship account.

(iii) Received a scholarship under section 43-1505 and who continues to attend a qualified school if the student attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least ninety days of the prior fiscal year or one full semester before attending a qualified school.

(iv) Was eligible for an Arizona scholarship for pupils with disabilities and received monies from a school tuition organization pursuant to section 43-1505 or received an Arizona scholarship for pupils with disabilities but did not receive monies from a school tuition organization pursuant to section 43-1505 and who continues to attend a qualified school if the student attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least ninety days of the prior fiscal year or one full semester ~~prior to~~ **BEFORE** attending a qualified school.

(v) Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a kindergarten program in a school district or charter school in this state or attended a program for preschool children with disabilities.

(vi) Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a program for preschool children with disabilities in this state.

8. "Treasurer" means the office of the state treasurer.

Sec. 47. Section 15-2402, Arizona Revised Statutes, is amended to read:

15-2402. Arizona empowerment scholarship accounts; funds

A. Arizona empowerment scholarship accounts are established to provide options for the education of students in this state.

B. To enroll a qualified student for an Arizona empowerment scholarship account, the parent of the qualified student must sign an agreement to do all of the following:

1. Use a portion of the Arizona empowerment scholarship account monies allocated annually to provide an education for the qualified student in at least the subjects of reading, grammar, mathematics, social studies and science, unless the Arizona empowerment scholarship account is allocated monies according to a transfer schedule other than quarterly transfers pursuant to section 15-2403, subsection F.

2. Not enroll the qualified student in a school district or charter school and release the school district from all obligations to educate the qualified student. This paragraph does not relieve the school district or charter school that the qualified student previously attended from the obligation to conduct an evaluation pursuant to section 15-766.

3. Not accept a scholarship from a school tuition organization pursuant to title 43 concurrently with an Arizona empowerment scholarship account for the qualified student in the same year a parent signs the agreement pursuant to this section.

4. Use monies deposited in the qualified student's Arizona empowerment scholarship account only for the following expenses of the qualified student:

- (a) Tuition or fees at a qualified school.
- (b) Textbooks required by a qualified school.
- (c) If the qualified student meets any of the criteria specified in section 15-2401, paragraph 7, subdivision (a), item (i), (ii) or (iii) as determined by a school district or by an independent third party pursuant to section 15-2403, subsection I, the qualified student may use the following additional services:

(i) Educational therapies from a licensed or accredited practitioner or provider, **INCLUDING AND UP TO ANY AMOUNT NOT COVERED BY INSURANCE IF THE EXPENSE IS PARTIALLY PAID BY A HEALTH INSURANCE POLICY FOR THE QUALIFIED STUDENT.**

- (ii) A licensed or accredited paraprofessional or educational aide.
- (iii) Tuition for vocational and life skills education approved by the department.
- (iv) Associated goods and services that include educational and psychological evaluations, assistive technology rentals and braille translation goods and services approved by the department.
- (d) Tutoring or teaching services provided by an individual or facility accredited by a state, regional or national accrediting organization.

- (e) Curricula and supplementary materials.
- (f) Tuition or fees for a nonpublic online learning program.
- (g) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination or any exams related to college or university admission.
- (h) Tuition or fees at an eligible postsecondary institution.
- (i) Textbooks required by an eligible postsecondary institution.
- (j) Fees to manage the Arizona empowerment scholarship account.
- (k) Services provided by a public school, including individual classes and extracurricular programs.
- (l) Insurance or surety bond payments.
- (m) Uniforms purchased from or through a qualified school.

(n) If the qualified student meets the criteria specified in section 15-2401, paragraph 7, subdivision (a), item (i), (ii) or (iii) and if the qualified student is in the second year prior to the final year of a contract executed pursuant to this article, costs associated with an annual education plan conducted by an independent evaluation team. The department shall prescribe minimum qualifications for independent evaluation teams pursuant to this subdivision and factors that teams must use to determine whether the qualified student shall be eligible to continue to receive monies pursuant to this article through the school year in which the qualified student reaches twenty-two years of age. An independent evaluation team that provides an annual education plan pursuant to this subdivision shall submit a written report that summarizes the results of the evaluation to the parent of the qualified student and to the department on or before July 31. The written report submitted by the independent evaluation team is valid for one year. If the department determines that the qualified student meets the eligibility criteria prescribed in the annual education plan, the qualified student is eligible to continue to receive monies pursuant to this article until the qualified student reaches twenty-two years of age, subject to annual review. A parent may appeal the department's decision pursuant to title 41, chapter 6, article 10. As an addendum to a qualified student's final-year contract, the department shall provide the following written information to the parent of the qualified student:

(i) That the qualified student will not be eligible to continue to receive monies pursuant to this article unless the results of an annual education plan conducted pursuant to this subdivision demonstrate that the qualified student meets the eligibility criteria prescribed in the annual education plan.

(ii) That the parent is entitled to obtain an annual education plan pursuant to this subdivision to determine whether the qualified student meets the eligibility criteria prescribed in the annual education plan.

(iii) A list of independent evaluation teams that meet the minimum qualifications prescribed by the department pursuant to this subdivision.

5. Not file an affidavit of intent to homeschool pursuant to section 15-802, subsection B, paragraph 2 or 3.

6. Not use monies deposited in the qualified student's account for any of the following:

- (a) Computer hardware or other technological devices, except as otherwise allowed under paragraph 4, subdivision (c) of this subsection.
- (b) Transportation of the pupil.
- (c) Consumable educational supplies, including paper, pens or markers.

C. In exchange for the parent's agreement pursuant to subsection B of this section, the department shall transfer from the monies that would otherwise be allocated to a recipient's prior school district, or if the child is currently eligible to attend kindergarten, the monies that the department determines would otherwise be allocated to a recipient's expected school district of attendance, to the treasurer for deposit into an Arizona empowerment scholarship account an amount that is equivalent to ninety percent of the sum of the base support level and additional assistance prescribed in sections 15-185 and 15-943 for that particular student if that student were attending a charter school.

D. The department of education empowerment scholarship account fund is established consisting of monies appropriated by the legislature. The department shall administer the fund. Monies in the fund are subject to legislative appropriation. Monies in the fund shall be used for the department's costs in administering Arizona empowerment scholarship accounts under this chapter. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations. If the number of Arizona empowerment scholarship accounts significantly increases after fiscal year 2020-2021, the department may request an increase in the amount appropriated to the fund in any subsequent fiscal year in the budget estimate submitted pursuant to section 35-113. The department shall list monies in the fund as a separate line item in its budget estimate.

E. The state treasurer empowerment scholarship account fund is established consisting of monies appropriated by the legislature. The state treasurer shall administer the fund. Monies in the fund shall be used for the state treasurer's costs in administering the Arizona empowerment scholarship accounts under this chapter. If the number of Arizona empowerment scholarship accounts significantly increases after fiscal year 2020-2021, the state treasurer may request an increase in the amount appropriated to the fund in any subsequent fiscal year in the budget estimate submitted pursuant to section 35-113. Monies in the fund are subject to legislative appropriation. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations. The state treasurer shall list monies in the fund as a separate line item in its budget estimate.

F. A parent must renew the qualified student's Arizona empowerment scholarship account on an annual basis.

G. Notwithstanding any changes to the student's multidisciplinary evaluation team plan, a student who has previously qualified for an Arizona empowerment scholarship account remains eligible to apply for renewal until the student finishes high school.

H. If a parent does not renew the qualified student's Arizona empowerment scholarship account for a period of three academic years, the department shall notify the parent that the qualified student's account will be closed in sixty calendar days. The notification must be sent through certified mail, email and telephone, if applicable. The parent has sixty calendar days to renew the qualified student's Arizona empowerment scholarship account. If the parent chooses not to renew or does not respond in sixty calendar days, the department shall close the account and any remaining monies shall be returned to the state.

I. A signed agreement under this section constitutes school attendance required by section 15-802.

J. A qualified school or a provider of services purchased pursuant to subsection B, paragraph 4 of this section may not share, refund or rebate any Arizona empowerment scholarship account monies with the parent or qualified student in any manner.

K. **NOTWITHSTANDING SUBSECTION H OF THIS SECTION**, on the qualified student's graduation from a postsecondary institution or after any period of four consecutive years after high school graduation in which the student is not enrolled in an eligible postsecondary institution, **BUT NOT BEFORE THIS TIME AS LONG AS THE ACCOUNT HOLDER CONTINUES USING A PORTION OF ACCOUNT MONIES FOR ELIGIBLE EXPENSES EACH YEAR AND IS IN GOOD STANDING**, the qualified student's Arizona empowerment scholarship account shall be closed and any remaining monies shall be returned to the state.

L. Monies received pursuant to this article do not constitute taxable income to the parent of the qualified student.

Sec. 48. Section 15-2403, Arizona Revised Statutes, is amended to read:

15-2403. Arizona empowerment scholarship accounts; administration; appeals; audit; rules; policy handbook

A. The treasurer may contract with private financial management firms to manage Arizona empowerment scholarship accounts.

B. The department shall conduct or contract for annual audits of Arizona empowerment scholarship accounts to ensure compliance with section 15-2402, subsection B, paragraph 4. The department shall also conduct or contract for random, quarterly and annual audits of Arizona empowerment scholarship accounts as needed to ensure compliance with section 15-2402, subsection B, paragraph 4.

C. The department may remove any parent or qualified student from eligibility for an Arizona empowerment scholarship account if the parent or qualified student fails to comply with the terms of the contract or applicable laws, rules or orders or knowingly misuses monies or knowingly fails to comply with the terms of the contract with intent to defraud and shall notify the treasurer. The department shall notify the treasurer to suspend the account of a parent or qualified student and shall notify the parent or qualified student in writing that the account has been suspended and that no further transactions will be allowed or disbursements made. The notification shall specify the reason for the suspension and state that the parent or qualified student has ten days, not including weekends, to respond and take corrective action. If the parent or qualified student refuses or fails to contact the department, furnish any information or make any report that may be required for reinstatement within the ten-day period, the department may remove the parent or qualified student pursuant to this subsection.

D. A parent may appeal to the state board of education any administrative decision the department makes pursuant to this article, including determinations of allowable expenses, removal from the program or enrollment eligibility. The department shall notify the parent in writing that the parent may appeal any administrative decision under this article and the process by which the parent may appeal at the same time the

department notifies the parent of an administrative decision under this article. The state board of education shall establish an appeals process, and the department shall post this information on the department's website in the same location as the policy handbook developed pursuant to subsection J of this section.

E. The state board of education may refer cases of substantial misuse of monies to the attorney general for the purpose of collection or for the purpose of a criminal investigation if the state board of education obtains evidence of fraudulent use of an account.

F. The department shall make quarterly transfers of the amount calculated pursuant to section 15-2402, subsection C to the treasurer for deposit in the Arizona empowerment scholarship account of each qualified student, except the department may make transfers according to another transfer schedule if the department determines a transfer schedule other than quarterly transfers is necessary to operate the Arizona empowerment scholarship account.

G. The department shall accept applications between July 1 and June 30 of each year. The department shall enroll and issue an award letter to eligible applicants within ~~forty-five~~ THIRTY days after receipt of a completed application and all required documentation. On or before May 30 of each year, the department shall furnish to the joint legislative budget committee an estimate of the amount required to fund Arizona empowerment scholarship accounts for the following fiscal year. The department shall include in its budget request for the following fiscal year the amount estimated pursuant to section 15-2402, subsection C for each qualified student.

H. The state board of education may adopt rules and policies necessary to administer Arizona empowerment scholarship accounts, including rules and policies:

1. For establishing an appeals process pursuant to subsection D of this section.
2. For conducting or contracting for examinations of the use of account monies.
3. For conducting or contracting for random, quarterly and annual reviews of accounts.
4. For establishing or contracting for the establishment of an online anonymous fraud reporting service.
5. For establishing an anonymous telephone hotline for fraud reporting.
6. That require a surety bond or insurance for account holders.

I. The department shall contract with an independent third party for the purposes of determining whether a qualified student is eligible to receive educational therapies or services pursuant to section 15-2402, subsection B, paragraph 4, subdivision (c).

J. On or before July 1 of each year, the department shall develop an applicant and participant handbook that includes information relating to policies and processes of Arizona empowerment scholarship accounts. The policy handbook shall comply with the rules adopted by the state board of education pursuant to this section. the department shall post the handbook on its website.

K. EXCEPT FOR CASES IN WHICH THE ATTORNEY GENERAL DETERMINES THAT A PARENT OR ACCOUNT HOLDER HAS COMMITTED FRAUD, ANY EXPENDITURE FROM AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT FOR A PURCHASE THAT IS DEEMED INELIGIBLE PURSUANT TO SECTION 15-2402 AND THAT IS SUBSEQUENTLY REPAID BY THE PARENT OR ACCOUNT HOLDER SHALL BE CREDITED BACK TO THE ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT BALANCE WITHIN THIRTY DAYS AFTER THE RECEIPT OF PAYMENT.

L. IF, IN RESPONSE TO AN APPEAL OF AN ADMINISTRATIVE DECISION MADE BY THE DEPARTMENT, THE STATE BOARD OF EDUCATION ISSUES A STAY OF AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT SUSPENSION PURSUANT TO RULES ADOPTED BY THE BOARD, THE DEPARTMENT MAY NOT WITHHOLD FUNDING OR CONTRACT RENEWAL FOR THE ACCOUNT HOLDER ON ACCOUNT OF THE APPEALED ADMINISTRATIVE DECISION DURING THE STAY UNLESS DIRECTED BY THE BOARD TO DO SO.

Sec. 49. Section 35-185.01, Arizona Revised Statutes, is amended to read:

35-185.01. Treasurer's warrant notes; form; redemption; exception

A. If monies are not available to pay warrants, checks or substitute checks, or electronic funds transfer vouchers of the department of administration presented to the state treasurer pursuant to section 35-185, the treasurer, in lieu of payment, shall issue and shall exchange or sell a treasurer's warrant note or notes in the amount or amounts equal to the sum of the face value of the warrants, checks or substitute checks, or electronic funds transfer vouchers presented for payment. Treasurer's warrant notes shall be issued in lieu of payment of state general fund warrants, checks or substitute checks, or electronic funds transfer vouchers only or in exchange for previously issued treasurer's warrant notes. Before issuing warrant notes, the state treasurer is not required to divest from program funding obligations issued pursuant to section ~~15-2157~~ 41-5857, board funding obligations issued pursuant to section 28-7678, monies in the budget stabilization fund or operating monies invested in securities that are earning a rate of interest greater than the cost of issuing warrant notes. For the purposes of this subsection, "monies are not available" means an operating cash balance is not available to pay warrants, checks or substitute checks, or electronic funds transfer vouchers except for those operating monies invested in program funding obligations issued pursuant to section ~~15-2157~~ 41-5857, board funding obligations issued pursuant to section 28-7678, monies in the budget stabilization fund or operating monies invested in securities that are earning a rate of interest greater than the total cost of issuing any warrant notes.

B. The face value of a treasurer's warrant note may be equal to the sum of any combination of warrants, checks or substitute checks, and electronic funds transfer vouchers presented for payment. The treasurer may sell warrant notes at public or private sale and shall use the proceeds of the sale to pay warrants, checks or substitute checks, and electronic funds transfer vouchers previously presented pursuant to section 35-185. Treasurer's warrant notes shall not be sold at a price below their face value.

C. Each treasurer's warrant note sold or exchanged shall be dated the date the respective warrants are presented for payment. If the date of delivery of a treasurer's warrant note that is sold is later than the date of presentation of the respective warrant or warrants, the purchaser of the treasurer's warrant note shall pay the accrued interest as an additional purchase price. The accrued interest shall be paid to the holder of the respective unpaid warrant or warrants, which shall be deemed to bear interest at the same rate as the respective treasurer's warrant note from presentment to payment from the proceeds of warrant notes sold.

D. The treasurer shall establish a maturity date for each treasurer's warrant note of not longer than ninety days from the date of initial issue. The treasurer may specify that treasurer's warrant notes may be called for redemption at any time before the specified maturity date.

E. The treasurer shall pay interest from the treasurer's warrant note redemption fund on the face value of each warrant note at the rate established by the state treasurer at the time of issuing the warrant note. Interest shall be paid from the date of the treasurer's warrant note until the maturity date or redemption date. The treasurer shall establish the interest rate before the exchange or sale of warrant notes at a rate of not more than the maximum rate permitted by the state loan commissioners.

F. The state loan commissioners, at a meeting called and chaired by the state treasurer, shall fix or change the maximum rate of interest that may be paid on warrant notes. Any change of the maximum allowable rate of interest as established by the state loan commissioners shall not affect warrant notes issued before the date of the change.

G. Each treasurer's warrant note shall be signed by the treasurer or the treasurer's designated agent and countersigned by the director of the department of administration or the director's designated agent. The required signatures may be electronic signatures. All treasurer's warrant notes shall be substantially in the following form:

Treasurer's warrant note
(20__ to ____ fiscal year)
Number _____
Phoenix, Arizona _____, 20__

On _____, 20__, the treasurer of the state of Arizona will pay to the order of _____ at _____ \$ _____ with interest at _____ per annum from the date of issuance until paid (calculated on a 365/366 day basis).
(insert early redemption provisions)

(Countersigned) State Treasurer
Director of the department
of administration

H. Treasurer's warrant notes may be exchanged or sold for the combined face value of any number of treasurer's warrant notes previously issued. Except for those treasurer's warrant notes issued in exchange for or to redeem treasurer's warrant notes previously issued, treasurer's warrant notes may not be issued, exchanged or sold except in payment of or to provide monies to pay warrants, checks or substitute checks, and electronic funds transfer vouchers presented for payment as provided in section 35-185.

I. Treasurer's warrant notes issued in any fiscal year shall be numbered consecutively beginning with the number one. Treasurer's warrant notes shall be redeemed in numerical order. If the treasurer has sufficient monies to pay only a portion of the lowest numbered outstanding warrant note, the treasurer may deposit the monies with the paying agent pursuant to subsection K of this section or call in the lowest numbered warrant note, before maturity according to its terms, and pay the bearer the amount available and issue to the bearer a new warrant note bearing a number that will preserve, for the new warrant note, the priority of the partially paid warrant note and bearing a value equal to the amount of principal and interest remaining unpaid. The new warrant note and the partial payment of principal and interest on the partially paid warrant note shall be exchanged for the partially paid warrant note. The new warrant note shall pay interest at the same rate as the partially paid warrant note. The treasurer may make the changes in the form and date of the new warrant note as necessary to reflect the amount of unpaid interest on the partially paid warrant note.

J. The treasurer may include in the form of the treasurer's warrant notes provisions regarding the redemption and payment of treasurer's warrant notes before maturity as are consistent with subsections I and K of this section and section 35-185.02. If prior redemption is to be a provision of a treasurer's warrant note, the note shall provide a method to notify the holder of the note by publication or written, telegraphic or electronic means as chosen by the treasurer.

K. The treasurer may appoint a paying agent to facilitate the redemption and payment of treasurer's warrant notes. Monies deposited with the paying agent shall be allocated to pay the principal of, interest on and

any prior redemption premiums associated with treasurer's warrant notes in numerical order. A treasurer's warrant note is deemed paid for all purposes of this section and section 35-185.02 when there is deposited with the paying agent sufficient monies to pay all amounts when due on the treasurer's warrant note and all amounts when due on all outstanding treasurer's warrant notes bearing a lower number. A paying agent appointed pursuant to this subsection shall provide security deposits as required by the treasurer.

L. When the treasurer or the paying agent, if payment is made to a paying agent, pursuant to subsection K of this section, pays treasurer's warrant notes or when the warrant notes are redeemed, the treasurer or paying agent shall mark on the face of the treasurer's warrant notes the word "cancelled" or shall cancel the warrant notes by electronic means indicating the date of cancellation and shall promptly present the notes to the director of the department of administration who shall give the state treasurer a receipt therefor.

M. If the state loan commissioners determine that it will result in a lower net effective interest rate on one, some or all warrant notes to be issued by the treasurer during the current fiscal year, the commissioners may authorize the treasurer to purchase letters of credit and to incur and pay insurance premiums, attorney fees or other related costs incurred with respect to treasurer's warrant notes. All such payments shall be treated in the same manner as interest to be paid on treasurer's warrant notes and shall be paid from the treasurer's warrant note redemption fund.

N. If treasurer's warrant notes are to be exchanged for warrants, checks or substitute checks, or electronic funds transfer vouchers held by banks or savings and loan associations, the treasurer may enter into agreements with such banks or savings and loan associations to provide for the issuance, reissuance and custody of treasurer's warrant notes, the fixing of the interest rates on the treasurer's warrant notes and the method of giving notice to the holders of the notes. Such agreements may provide for a book entry system for the treasurer's warrant notes or may provide for the issuance of one note with an appropriate grid on the reverse, which shall show the advancements made by the banks or savings and loan associations and also the payments of interest and reductions of principal. Such agreements may be continuing in nature, may be executed at any time and may apply to any treasurer's warrant notes exchanged for either warrants, checks or substitute checks, or electronic funds transfer vouchers or treasurer's warrant notes at any time during the remainder of the fiscal year in which the agreement is made. The agreements shall provide a method to preserve the priority of, interest rate on and other terms of each treasurer's warrant note exchanged pursuant to the agreement. Any such agreement shall not become effective until approved by the state loan commissioners.

Sec. 50. Section 35-212, Arizona Revised Statutes, is amended to read:

35-212. Injunctive and civil remedies; time limit; definition

A. The attorney general in the attorney general's discretion may bring an action in the name of ~~the~~ **THIS** state to:

1. Enjoin the illegal payment of public monies, including violations of section 11-952 and title 41, chapter 23.

2. Recover illegally paid public monies plus twenty percent of that amount together with interest and costs, including reasonable attorney fees, to be paid to the state treasurer or other appropriate official; or, in the case of public monies of a political subdivision that did not originate or were not received from this state, to the political subdivision, to the credit of the fund from which the payment was made.

B. The attorney general may bring an action to recover illegally paid public monies against:

1. Any person who received the illegal payment.

2. The public body or the public officer acting in the officer's official capacity who ordered or caused the illegal payment or has supervisory authority over the person that ordered or caused the illegal payment.

3. The public official, employee or agent who ordered or caused the illegal payment, including a payment ordered or caused to be made without authorization of law.

4. **THE PUBLIC OFFICIAL, EMPLOYEE OR AGENT OF THIS STATE, A POLITICAL SUBDIVISION OF THIS STATE OR A BUDGET UNIT WHO KNOWINGLY USES PUBLIC MONIES OR OTHER PUBLIC RESOURCES, INCLUDING EMAIL, EQUIPMENT OR COMPENSATED WORK TIME, TO ORGANIZE, PLAN OR EXECUTE ANY ACTIVITY THAT IMPEDES OR PREVENTS A PUBLIC SCHOOL FROM OPERATING FOR ANY PERIOD OF TIME, UNLESS THE PUBLIC OFFICIAL, EMPLOYEE OR AGENT IS ACTING IN GOOD FAITH AND IN FURTHERANCE OF THE OFFICIAL'S, EMPLOYEE'S OR AGENT'S OFFICIAL DUTIES.**

5. **THE TEACHER, ADMINISTRATOR OR OTHER EMPLOYEE OF A SCHOOL DISTRICT OR CHARTER SCHOOL OR THE STATE EMPLOYEE WHOSE VIOLATION OF SECTION 15-717.02 RESULTED IN AN ILLEGAL USE OF PUBLIC MONIES.**

C. A public official, employee or agent of this state, a political subdivision of this state or a budget unit who is charged with collecting, receiving, safekeeping, transferring or disbursing public monies may be held personally liable for an illegal payment of public monies, including payment made without authorization of law.

D. A public official, employee or agent of this state, a political subdivision of this state or a budget unit who is responsible for disbursing, collecting, receiving, safekeeping or transferring public monies pursuant to a warrant, check or substitute check, electronic funds transfer voucher or other form of claim that does not originate from the public official, employee or agent making the disbursement may not be held personally liable for illegal payments made pursuant to such warrants, checks or substitute checks, electronic funds transfer vouchers

or other claims unless the public official, employee or agent knew or should have known that a warrant, check or substitute check, electronic funds transfer voucher or other claim would result in an illegal payment of public monies.

E. An action brought pursuant to this article is subject to title 12, chapter 7, article 2. If the action is brought by the attorney general, the action must be brought within five years after the date an illegal payment was ordered and section 12-821.01 does not apply to the action.

F. For the purposes of this section, "public monies" includes all monies coming into the lawful possession, custody or control of budget units, state agencies, boards, commissions or departments or a state officer, employee or agent in an official capacity, and all monies coming into the lawful possession, custody or control of a tax-supported political subdivision or an officer, employee or agent of a tax-supported political subdivision in an official capacity irrespective of the source from which, or the manner in which, the monies are received.

Sec. 51. Section 35-313, Arizona Revised Statutes, is amended to read:

35-313. Investment of trust and treasury monies; loan of securities

A. The state treasurer shall invest and reinvest trust and treasury monies in any of the following items:

1. Obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.

2. Repurchase agreements collateralized with securities that are authorized for investment pursuant to state law and that are purchased from authorized counterparties that have adequate capital and liquidity as determined by the state treasurer.

3. Bonds or other evidences of indebtedness of this state or any of the counties or incorporated cities, towns or duly organized school districts.

4. Commercial paper whose issuer is investment grade for short-term obligations by any two nationally recognized statistical rating organizations.

5. Bills of exchange or time drafts known as banker's acceptances that are drawn on and accepted by a commercial bank.

6. Negotiable certificates of deposit issued by a nationally or state-chartered bank or savings and loan association.

7. Bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry an investment grade rating by a nationally recognized bond rating agency.

8. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, including exchange traded products whose underlying investments are invested in securities allowed by state law, registered under the investment company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended. For any treasurer investment pool that seeks to maintain a constant share price, both of the following apply:

(a) The investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian.

(b) The investment policy of the investment company or investment trust includes seeking to maintain a constant share price.

9. Certificates of deferred property taxes as provided by section 42-17309.

10. Treasurer's warrant notes issued pursuant to section 35-185.01 or registered warrants of a county issued pursuant to section 11-605, if the yield is equal to or greater than yields on eligible investment instruments of comparable maturities.

11. Shares in the treasurer's local government investment pools pursuant to section 35-326 if investment policies of the pool seek to maintain a constant share price.

12. Shares in the treasurer's long-term local government investment pools, the terms of which are determined by the state board of investment, pursuant to section 35-326.01.

13. Subject to subsection D of this section, state transportation board funding obligations delivered pursuant to section 28-7678.

14. Deposits placed in accordance with the procedures prescribed in section 35-323.01.

15. Institutional common trust funds whose underlying investments are invested in securities allowed by state law.

16. Program funding obligations delivered by the credit enhancement eligibility board pursuant to section ~~15-2157~~ 41-5857.

B. In case of default or failure to honor a county treasurer's warrant, the state treasurer may withhold the first state shared revenues that would otherwise be distributed to the defaulting county in the amount necessary to honor the note, including accrued interest to and beyond the date of default.

C. The state treasurer may contract to loan securities owned by the trust funds and operating monies deposited in the investment pools pursuant to section 35-316, subsection B to the financial or dealer community through one or more of the entities listed in section 35-317, subsection A, or authorized by the board of investment pursuant to section 35-311, subsection E, if the borrower transfers collateral to the state treasurer or acting agent of the state in the form of cash or securities authorized for investment pursuant to state law. Collateral posted in the form of cash shall be in an amount equal to at least one hundred percent of the market

value of the loaned securities as agreed. Collateral posted in the form of securities shall be in an amount of at least one hundred two percent of the market value of the loaned securities as established from time to time by the board of investment. The loaned securities shall be valued as to market value daily, and, if necessary, the borrower shall post additional collateral, as agreed, to ensure that the required margin is maintained. The state treasurer may collect from the borrower all dividends, interest, premiums, rights and other distributions to which the lender of securities would otherwise be entitled. The state treasurer may terminate the contract on at least five business days' notice, as agreed, and the borrower may terminate the contract on at least two business days' notice, as agreed.

D. The state treasurer shall invest operating monies in state transportation board funding obligations delivered pursuant to section 28-7678 pursuant to the following:

1. The state treasurer shall liquidate investments of operating monies if necessary to invest in state transportation board funding obligations, except that if operating monies in the state general fund fall below an \$800,000,000 average over the previous twelve consecutive months, the state treasurer is not required to purchase state transportation board funding obligations pursuant to this subsection.

2. Each series of state transportation board funding obligations shall bear interest at a fixed interest rate equal to the mean bid-ask price of the United States treasury obligation with a maturity date closest to the maturity date of the state transportation board funding obligation as determined by the pricing system used by the state treasurer before the date the state treasurer receives a certificate from the state transportation board that states the board's determination to deliver an obligation to the state treasurer and the anticipated delivery date of the obligation. The delivery date shall be between fifteen and sixty days after the day the state treasurer receives the certificate.

3. The state treasurer shall notify the state transportation board and the director of the department of transportation in writing when the operating monies fall below \$400,000,000. If operating monies fall below \$200,000,000, the state treasurer may call the investment in the state transportation board funding obligations in \$25,000,000 increments up to the amount that the operating monies are below \$200,000,000. The state treasurer shall give the state transportation board and the director of the department of transportation at least fifteen days' notice of the call.

Sec. 52. Section 37-221, Arizona Revised Statutes, is amended to read:

37-221. Sale or lease of state lands for public education purposes

A. Notwithstanding any other law, school districts may enter into leases of state land for more than ten years if the land is to be used for public education purposes. These leases shall be granted according to the constitution of this state and department rules. School districts shall ~~make all applications~~ **APPLY** for leases for educational purposes on forms prepared and furnished by the department, and an authorized agent of the governing board of the school district shall sign and swear to the application. A school district shall not use lands leased to it under this section except for public ~~educational~~ **EDUCATION** purposes.

B. The department shall develop procedures to give priority to the procedures used for school districts to lease state lands for public education purposes. The department shall develop procedures to simplify the procedures used for school districts to lease state lands for public education purposes. The procedures shall specify that any leases entered into and any improvements made to properties leased pursuant to this section using state monies shall comply with the requirements of title ~~15 41~~, chapter ~~16 56~~.

C. The department shall develop procedures to give priority to the procedures used for school districts to purchase state lands for public education purposes. The department shall develop procedures to simplify the procedures used for school districts to purchase state lands for public education purposes. The procedures shall specify that any purchase of school lands by school districts using state monies shall comply with the requirements of title ~~15 41~~, chapter ~~16 56~~.

D. Any monies received by the department from the lease of state public school land for public education purposes pursuant to this section shall be transferred ~~to the school facilities board~~ for deposit in the new school facilities fund established by section ~~15-2041~~ **41-5741**.

E. For the purposes of this section, a school district shall be considered to have abandoned a lease when leased property and any improvements are no longer being used for public education purposes.

Sec. 53. Section 37-521, Arizona Revised Statutes, is amended to read:

37-521. Permanent state school fund; composition; use

A. After any appropriation pursuant to section 37-527, the permanent state school fund shall consist of:

1. The proceeds of all lands granted to the state by the United States for the support of common schools.
 2. All property which accrues to the state by escheat or forfeiture.
 3. All property donated for the benefit of the common schools, unless the terms of the donation otherwise provide.

4. All unclaimed shares and dividends of any corporation incorporated under the laws of this state.

5. The proceeds of sale of timber, mineral, gravel or other natural products or property from school lands and state lands other than those granted for specific purposes.

6. The residue of the lands granted for payment of the bonds and accrued interest issued by Maricopa, Pima, Yavapai and Coconino counties, after the purpose of the grant has been satisfied, and the five per cent of

the proceeds of sales of public lands lying within this state sold by the United States subsequent to admission of this state into the union, as granted by the enabling act.

B. The fund shall be and remain a perpetual fund and distributions from the fund pursuant to article X, section 7, Constitution of Arizona, plus monies derived from the rental of the lands and property, interest and accrued rent for that year credited pursuant to section 37-295 and interest paid on installment sales, shall be used as follows:

1. If there are outstanding state school facilities revenue bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6, outstanding qualified zone academy bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 7 or outstanding state school trust revenue bonds issued to correct existing deficiencies, the state treasurer and the state land department shall annually transfer to the state school facilities revenue bond debt service fund established in section ~~15-2054~~ 41-5754, the state school improvement revenue bond debt service fund established in section ~~15-2084~~ 41-5784 and the state school trust revenue bond debt service fund the amount that is necessary to pay that fiscal year's debt service on outstanding state school facilities revenue bonds, qualified zone academy bonds and state school trust revenue bonds, before transferring amounts for any other uses.

2. If there are no outstanding state school facilities revenue bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6 or if the amount of monies available under this subsection exceeds the amount required under paragraph 1 of this subsection, the monies are subject to legislative appropriation to the new school facilities fund established by section ~~15-2041~~ 41-5741.

3. If the amount of monies available under this subsection exceeds the amount required under paragraphs 1 and 2 of this subsection, the legislature may annually appropriate an amount to be used as provided in section 15-971, subsection H, except that the amount appropriated may not exceed the amount appropriated from the permanent state school fund and from the rent and interest paid on installment sales for this purpose in fiscal year 2000-2001.

4. Notwithstanding paragraphs 1, 2 and 3 of this subsection, from and after June 30, 2001, any expendable earnings under this subsection that exceed the fiscal year 2000-2001 expendable earnings shall be deposited in the classroom site fund established by section 15-977.

Sec. 54. Section 41-1092.02, Arizona Revised Statutes, is amended to read:

~~41-1092.02.~~ **Appealable agency actions; application of procedural rules; exemption from article**

A. This article applies to all contested cases as defined in section 41-1001 and all appealable agency actions, except contested cases with or appealable agency actions of:

1. The state department of corrections.
2. The board of executive clemency.
3. The industrial commission of Arizona.
4. The Arizona corporation commission.
5. The Arizona board of regents and institutions under its jurisdiction.
6. The state personnel board.
7. The department of juvenile corrections.
8. The department of transportation, except as provided in title 28, chapter 30, article 2.
9. The department of economic security except as provided in section 46-458.
10. The department of revenue regarding:
 - (a) Income tax or withholding tax.
 - (b) Any tax issue related to information associated with the reporting of income tax or withholding tax unless the taxpayer requests in writing that this article apply and waives confidentiality under title 42, chapter 2, article 1.

11. The board of tax appeals.

12. The state board of equalization.
13. The state board of education, but only in connection with contested cases and appealable agency actions related to **EITHER:**

(a) Applications for issuance or renewal of a certificate and discipline of certificate holders pursuant to sections 15-203, 15-534, 15-534.01, 15-535, 15-545 and 15-550.

(b) **THE ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PROGRAM PURSUANT TO TITLE 15, CHAPTER 19.**

14. The board of fingerprinting.
15. The department of child safety except as provided in sections 8-506.01 and 8-811.

B. Unless waived by all parties, an administrative law judge shall conduct all hearings under this article, and the procedural rules set forth in this article and rules made by the director apply.

C. Except as provided in subsection A of this section:

1. A contested case heard by the office of administrative hearings regarding taxes administered under title 42 shall be subject to section 42-1251.

2. A final decision of the office of administrative hearings regarding taxes administered under title 42 may be appealed by either party to the director of the department of revenue, or a taxpayer may file and appeal directly to the board of tax appeals pursuant to section 42-1253.

D. Except as provided in subsections A, B, E, F and G of this section and notwithstanding any other administrative proceeding or judicial review process established in statute or administrative rule, this article applies to all appealable agency actions and to all contested cases.

E. Except for a contested case or an appealable agency action regarding unclaimed property, sections 41-1092.03, 41-1092.08 and 41-1092.09 do not apply to the department of revenue.

F. The board of appeals established by section 37-213 is exempt from:

1. The time frames for hearings and decisions provided in section 41-1092.05, subsection A, section 41-1092.08 and section 41-1092.09.

2. The requirement in section 41-1092.06, subsection A to hold an informal settlement conference at the appellant's request if the sole subject of an appeal pursuant to section 37-215 is the estimate of value reported in an appraisal of lands or improvements.

G. Auction protest procedures pursuant to title 37, chapter 2, article 4.1 are exempt from this article.

Sec. 55. Section 41-1276, Arizona Revised Statutes, is amended to read:

41-1276. Truth in taxation levy for equalization assistance to school districts

A. On or before February 15 of each year, the joint legislative budget committee shall compute and transmit the truth in taxation rates for equalization assistance for school districts for the following fiscal year to:

1. The chairmen of the house of representatives ways and means committee and the senate finance committee, or their successor committees.

2. The chairmen of the appropriations committees of the senate and the house of representatives, or their successor committees.

B. The truth in taxation rates consist of the qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects pursuant to section 15-971, subsection B, paragraph 1, a qualifying tax rate for a unified district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects pursuant to section 15-971, subsection B, paragraph 2 and a state equalization assistance property tax rate pursuant to section 15-994 that will offset the change in net assessed valuation of property that was subject to tax in the prior year.

C. The joint legislative budget committee shall compute the truth in taxation rates as follows:

1. Determine the statewide net assessed value for the preceding tax year as provided in section 42-17151, subsection A, paragraph 3.

2. Determine the statewide net assessed value for the current tax year, excluding the net assessed value of property that was not subject to tax in the preceding year.

3. Divide the amount determined in paragraph 1 of this subsection by the amount determined in paragraph 2 of this subsection.

4. Adjust the qualifying tax rates and the state equalization assistance property tax rate for the current fiscal year by the percentage determined in paragraph 3 of this subsection in order to offset the change in net assessed value.

D. Except as provided in subsections E and G of this section, the qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects, the qualifying tax rate for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects and the state equalization assistance property tax rate for the following fiscal year shall be the rate determined by the joint legislative budget committee pursuant to subsection C of this section. The committee shall transmit the rates to the superintendent of public instruction and the county boards of supervisors by March 15 each year.

E. If the legislature proposes either qualifying tax rates or a state equalization assistance property tax rate that exceeds the truth in taxation rate:

1. The house of representatives ways and means committee and the senate finance committee, or their successor committees, shall hold a joint hearing on or before February 28 and publish a notice of a truth in taxation hearing subject to the following requirements:

(a) The notice shall be published twice in a newspaper of general circulation in this state that is published at the state capital. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

(b) The notice shall be published in a location other than the classified or legal advertising section of the newspaper.

(c) The notice shall be at least one-fourth page in size and shall be surrounded by a solid black border at least one-eighth inch in width.

(d) The notice shall be in the following form, with the "truth in taxation hearing — notice of tax increase" headline in at least eighteen-point type:

Truth in Taxation Hearing

Notice of Tax Increase

In compliance with section 41-1276, Arizona Revised Statutes, the state legislature is notifying property taxpayers in Arizona of the legislature's intention to raise the property tax

levy over last year's level.

The proposed tax increase will cause the taxes on a \$100,000 home to be \$(total proposed taxes including the tax increase). Without the proposed tax increase, the total taxes that would be owed on a \$100,000 home would have been \$_____.

All interested citizens are invited to attend a public hearing on the tax increase that is scheduled to be held (date and time) at (location).

(e) For purposes of computing the tax increase on a \$100,000 home as required by the notice, the joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall consider the difference between the truth in taxation rate and the proposed increased rate.

2. The joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall consider any motion to recommend the proposed tax rates to the full legislature by roll call vote.

F. In addition to publishing the truth in taxation notice under subsection E, paragraph 1 of this section, the joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall issue a press release containing the truth in taxation notice.

G. Notwithstanding any other law, the legislature shall not adopt a state budget that provides for either qualifying tax rates pursuant to section 15-971 or a state equalization assistance property tax rate pursuant to section 15-994 that exceeds the truth in taxation rates computed pursuant to subsection A of this section unless the rates are adopted by a concurrent resolution approved by an affirmative roll call vote of two-thirds of the members of each house of the legislature before the legislature enacts the general appropriations bill. If the resolution is not approved by two-thirds of the members of each house of the legislature, the rates for the following fiscal year shall be the truth in taxation rates determined pursuant to subsection C of this section and shall be transmitted to the superintendent of public instruction and the county boards of supervisors.

H. Notwithstanding subsection C of this section and if approved by the qualified electors voting at a statewide general election, the legislature shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high school district or \$4.253 for a unified school district. The legislature shall not set a county equalization assistance for education rate that exceeds \$0.5123.

I. Pursuant to subsection C of this section, the qualifying tax rate in tax year ~~2020~~ **2021** for a high school district or a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447 is ~~\$1.8371~~ **\$1.7694** and for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects as provided in section 15-447 is ~~\$3.6742~~ **\$3.5388**. The state equalization assistance property tax rate in tax year ~~2020~~ **2021** is ~~\$0.4426~~ **\$0.4263**.

Sec. 56. Section 41-1750, Arizona Revised Statutes, is amended to read:

41-1750. Central state repository; department of public safety; duties; funds; accounts; definitions

A. The department is responsible for the effective operation of the central state repository in order to collect, store and disseminate complete and accurate Arizona criminal history records and related criminal justice information. The department shall:

1. Procure from all criminal justice agencies in this state accurate and complete personal identification data, fingerprints, charges, process control numbers and dispositions and such other information as may be pertinent to all persons who have been charged with, arrested for, convicted of or summoned to court as a criminal defendant for a felony offense or an offense involving domestic violence as defined in section 13-3601 or a violation of title 13, chapter 14 or title 28, chapter 4.

2. Collect information concerning the number and nature of offenses known to have been committed in this state and of the legal steps taken in connection with these offenses, such other information that is useful in the study of crime and in the administration of criminal justice and all other information deemed necessary to operate the statewide uniform crime reporting program and to cooperate with the federal government uniform crime reporting program.

3. Collect information concerning criminal offenses that manifest evidence of prejudice based on race, color, religion, national origin, sexual orientation, gender or disability.

4. Cooperate with the central state repositories in other states and with the appropriate agency of the federal government in the exchange of information pertinent to violators of the law.

5. Ensure the rapid exchange of information concerning the commission of crime and the detection of violators of the law among the criminal justice agencies of other states and of the federal government.

6. Furnish assistance to peace officers throughout this state in crime scene investigation for the detection of latent fingerprints and in the comparison of latent fingerprints.

7. Conduct periodic operational audits of the central state repository and of a representative sample of other agencies that contribute records to or receive criminal justice information from the central state repository or through the Arizona criminal justice information system.

8. Establish and enforce the necessary physical and system safeguards to ensure that the criminal justice information maintained and disseminated by the central state repository or through the Arizona criminal justice

information system is appropriately protected from unauthorized inquiry, modification, destruction or dissemination as required by this section.

9. Aid and encourage coordination and cooperation among criminal justice agencies through the statewide and interstate exchange of criminal justice information.

10. Provide training and proficiency testing on the use of criminal justice information to agencies receiving information from the central state repository or through the Arizona criminal justice information system.

11. Operate and maintain the Arizona automated fingerprint identification system established by section 41-2411.

12. Provide criminal history record information to the fingerprinting division for the purpose of screening applicants for fingerprint clearance cards.

B. The director may establish guidelines for the submission and retention of criminal justice information as deemed useful for the study or prevention of crime and for the administration of criminal justice.

C. The chief officers of criminal justice agencies of this state or its political subdivisions shall provide to the central state repository fingerprints and information concerning personal identification data, descriptions, crimes for which persons are arrested, process control numbers and dispositions and such other information as may be pertinent to all persons who have been charged with, arrested for, convicted of or summoned to court as criminal defendants for felony offenses or offenses involving domestic violence as defined in section 13-3601 or violations of title 13, chapter 14 or title 28, chapter 4 that have occurred in this state.

D. The chief officers of law enforcement agencies of this state or its political subdivisions shall provide to the department such information as necessary to operate the statewide uniform crime reporting program and to cooperate with the federal government uniform crime reporting program.

E. The chief officers of criminal justice agencies of this state or its political subdivisions shall comply with the training and proficiency testing guidelines as required by the department to comply with the federal national crime information center mandates.

F. The chief officers of criminal justice agencies of this state or its political subdivisions also shall provide to the department information concerning crimes that manifest evidence of prejudice based on race, color, religion, national origin, sexual orientation, gender or disability.

G. The director shall authorize the exchange of criminal justice information between the central state repository, or through the Arizona criminal justice information system, whether directly or through any intermediary, only as follows:

1. With criminal justice agencies of the federal government, Indian tribes, this state or its political subdivisions and other states, on request by the chief officers of such agencies or their designated representatives, specifically for the purposes of the administration of criminal justice and for evaluating the fitness of current and prospective criminal justice employees. The department may conduct periodic state and federal criminal history records checks for the purpose of updating the status of current criminal justice employees or volunteers and may notify the criminal justice agency of the results of the records check. The department is authorized to submit fingerprints to the federal bureau of investigation to be retained for the purpose of being searched by future submissions to the federal bureau of investigation including latent fingerprint searches.

2. With any noncriminal justice agency pursuant to a statute, ordinance or executive order that specifically authorizes the noncriminal justice agency to receive criminal history record information for the purpose of evaluating the fitness of current or prospective licensees, employees, contract employees or volunteers, on submission of the subject's fingerprints and the prescribed fee. Each statute, ordinance, or executive order that authorizes noncriminal justice agencies to receive criminal history record information for these purposes shall identify the specific categories of licensees, employees, contract employees or volunteers, and shall require that fingerprints of the specified individuals be submitted in conjunction with such requests for criminal history record information. The department may conduct periodic state and federal criminal history records checks for the purpose of updating the status of current licensees, employees, contract employees or volunteers and may notify the noncriminal justice agency of the results of the records check. The department is authorized to submit fingerprints to the federal bureau of investigation to be retained for the purpose of being searched by future submissions to the federal bureau of investigation including latent fingerprint searches.

3. With the board of fingerprinting for the purpose of conducting good cause exceptions pursuant to section 41-619.55 and central registry exceptions pursuant to section 41-619.57.

4. With any individual for any lawful purpose on submission of the subject of record's fingerprints and the prescribed fee.

5. With the governor, if the governor elects to become actively involved in the investigation of criminal activity or the administration of criminal justice in accordance with the governor's constitutional duty to ensure that the laws are faithfully executed or as needed to carry out the other responsibilities of the governor's office.

6. With regional computer centers that maintain authorized computer-to-computer interfaces with the department, that are criminal justice agencies or under the management control of a criminal justice agency and that are established by a statute, ordinance or executive order to provide automated data processing services to criminal justice agencies specifically for the purposes of the administration of criminal justice or evaluating the

fitness of regional computer center employees who have access to the Arizona criminal justice information system and the national crime information center system.

7. With an individual who asserts a belief that criminal history record information relating to the individual is maintained by an agency or in an information system in this state that is subject to this section. On submission of fingerprints, the individual may review this information for the purpose of determining its accuracy and completeness by making application to the agency operating the system. Rules adopted under this section shall include provisions for administrative review and necessary correction of any inaccurate or incomplete information. The review and challenge process authorized by this paragraph is limited to criminal history record information.

8. With individuals and agencies pursuant to a specific agreement with a criminal justice agency to provide services required for the administration of criminal justice pursuant to that agreement if the agreement specifically authorizes access to data, limits the use of data to purposes for which given and ensures the security and confidentiality of the data consistent with this section.

9. With individuals and agencies for the express purpose of research, evaluative or statistical activities pursuant to an agreement with a criminal justice agency if the agreement specifically authorizes access to data, limits the use of data to research, evaluative or statistical purposes and ensures the confidentiality and security of the data consistent with this section.

10. With the auditor general for audit purposes.

11. With central state repositories of other states for noncriminal justice purposes for dissemination in accordance with the laws of those states.

12. On submission of the fingerprint card, with the department of child safety and a tribal social services agency to provide criminal history record information on prospective adoptive parents for the purpose of conducting the preadoption certification investigation under title 8, chapter 1, article 1 if the department of economic security is conducting the investigation, or with an agency or a person appointed by the court, if the agency or person is conducting the investigation. Information received under this paragraph shall only be used for the purposes of the preadoption certification investigation.

13. With the department of child safety, a tribal social services agency and the superior court for the purpose of evaluating the fitness of custodians or prospective custodians of juveniles, including parents, relatives and prospective guardians. Information received under this paragraph shall only be used for the purposes of that evaluation. The information shall be provided on submission of either:

(a) The fingerprint card.

(b) The name, date of birth and social security number of the person.

14. On submission of a fingerprint card, provide criminal history record information to the superior court for the purpose of evaluating the fitness of investigators appointed under section 14-5303 or 14-5407, guardians appointed under section 14-5206 or 14-5304 or conservators appointed under section 14-5401.

15. With the supreme court to provide criminal history record information on prospective fiduciaries pursuant to section 14-5651.

16. With the department of juvenile corrections to provide criminal history record information pursuant to section 41-2814.

17. On submission of the fingerprint card, provide criminal history record information to the Arizona peace officer standards and training board or a board certified law enforcement academy to evaluate the fitness of prospective cadets.

18. With the internet sex offender website database established pursuant to section 13-3827.

19. With licensees of the United States nuclear regulatory commission for the purpose of determining whether an individual should be granted unescorted access to the protected area of a commercial nuclear generating station on submission of the subject of record's fingerprints and the prescribed fee.

20. With the ~~department~~ **STATE BOARD** of education for the purpose of evaluating the fitness of a certificated ~~teacher or administrator or~~ **EDUCATOR**, an applicant for a teaching or ~~an~~ administrative certificate ~~provided that~~ **OR A NONCERTIFICATED PERSON AS DEFINED IN SECTION 15-505 IF** the ~~department~~ **STATE BOARD** of education or its employees or agents have reasonable suspicion that the ~~certificated~~ **EDUCATOR OR** person engaged in conduct that would be a criminal violation of the laws of this state or was involved in immoral or unprofessional conduct or that the applicant engaged in conduct that would warrant disciplinary action if the applicant were certificated at the time of the alleged conduct. The information shall be provided on the submission of either:

(a) The fingerprint card.

(b) The name, date of birth and social security number of the person.

21. With each school district and charter school in this state. The ~~state-board~~ **DEPARTMENT** of education and the state board for charter schools shall provide the department of public safety with a current list of email addresses for each school district and charter school in this state and shall periodically provide the department of public safety with updated email addresses. If the department of public safety is notified that a person who is required to have a fingerprint clearance card to be employed by or to engage in volunteer activities at a school district or charter school has been arrested for or convicted of an offense listed in section 41-1758.03, subsection B or has been arrested for or convicted of an offense that amounts to unprofessional conduct under

section 15-550, the department of public safety shall notify each school district and charter school in this state that the person's fingerprint clearance card has been suspended or revoked.

22. With a tribal social services agency and the department of child safety as provided by law, which currently is the Adam Walsh child protection and safety act of 2006 (42 United States Code section 16961), for the purposes of investigating or responding to reports of child abuse, neglect or exploitation. Information received pursuant to this paragraph from the national crime information center, the interstate identification index and the Arizona criminal justice information system network shall only be used for the purposes of investigating or responding as prescribed in this paragraph. The information shall be provided on submission to the department of public safety of either:

- (a) The fingerprints of the person being investigated.
- (b) The name, date of birth and social security number of the person.

23. With a nonprofit organization that interacts with children or vulnerable adults for the lawful purpose of evaluating the fitness of all current and prospective employees, contractors and volunteers of the organization. The criminal history record information shall be provided on submission of the applicant fingerprint card and the prescribed fee.

24. With the superior court for the purpose of determining an individual's eligibility for substance abuse and treatment courts in a family or juvenile case.

25. With the governor to provide criminal history record information on prospective gubernatorial nominees, appointees and employees as provided by law.

H. The director shall adopt rules necessary to execute this section.

I. The director, in the manner prescribed by law, shall remove and destroy records that the director determines are no longer of value in the detection or prevention of crime.

J. The director shall establish a fee in an amount necessary to cover the cost of federal noncriminal justice fingerprint processing for criminal history record information checks that are authorized by law for noncriminal justice employment, licensing or other lawful purposes. An additional fee may be charged by the department for state noncriminal justice fingerprint processing. Fees submitted to the department for state noncriminal justice fingerprint processing are not refundable.

K. The director shall establish a fee in an amount necessary to cover the cost of processing copies of department reports, eight by ten inch black and white photographs or eight by ten inch color photographs of traffic accident scenes.

L. Except as provided in subsection O of this section, each agency authorized by this section may charge a fee, in addition to any other fees prescribed by law, in an amount necessary to cover the cost of state and federal noncriminal justice fingerprint processing for criminal history record information checks that are authorized by law for noncriminal justice employment, licensing or other lawful purposes.

M. A fingerprint account within the records processing fund is established for the purpose of separately accounting for the collection and payment of fees for noncriminal justice fingerprint processing by the department. Monies collected for this purpose shall be credited to the account, and payments by the department to the United States for federal noncriminal justice fingerprint processing shall be charged against the account. Monies in the account not required for payment to the United States shall be used by the department in support of the department's noncriminal justice fingerprint processing duties. At the end of each fiscal year, any balance in the account not required for payment to the United States or to support the department's noncriminal justice fingerprint processing duties reverts to the state general fund.

N. A records processing fund is established for the purpose of separately accounting for the collection and payment of fees for department reports and photographs of traffic accident scenes processed by the department. Monies collected for this purpose shall be credited to the fund and shall be used by the department in support of functions related to providing copies of department reports and photographs. At the end of each fiscal year, any balance in the fund not required for support of the functions related to providing copies of department reports and photographs reverts to the state general fund.

O. The department of child safety may pay from appropriated monies the cost of federal fingerprint processing or federal criminal history record information checks that are authorized by law for employees and volunteers of the department, guardians pursuant to section 8-453, subsection A, paragraph 6, the licensing of foster parents or the certification of adoptive parents.

P. The director shall adopt rules that provide for:

- 1. The collection and disposition of fees pursuant to this section.
- 2. The refusal of service to those agencies that are delinquent in paying these fees.

Q. The director shall ensure that the following limitations are observed regarding dissemination of criminal justice information obtained from the central state repository or through the Arizona criminal justice information system:

1. Any criminal justice agency that obtains criminal justice information from the central state repository or through the Arizona criminal justice information system assumes responsibility for the security of the information and shall not secondarily disseminate this information to any individual or agency not authorized to receive this information directly from the central state repository or originating agency.

2. Dissemination to an authorized agency or individual may be accomplished by a criminal justice agency only if the dissemination is for criminal justice purposes in connection with the prescribed duties of the agency and not in violation of this section.

3. Criminal history record information disseminated to noncriminal justice agencies or to individuals shall be used only for the purposes for which it was given. Secondary dissemination is prohibited unless otherwise authorized by law.

4. The existence or nonexistence of criminal history record information shall not be confirmed to any individual or agency not authorized to receive the information itself.

5. Criminal history record information to be released for noncriminal justice purposes to agencies of other states shall only be released to the central state repositories of those states for dissemination in accordance with the laws of those states.

6. Criminal history record information shall be released to noncriminal justice agencies of the federal government pursuant to the terms of the federal security clearance information act (P.L. 99-169).

R. This section and the rules adopted under this section apply to all agencies and individuals collecting, storing or disseminating criminal justice information processed by manual or automated operations if the collection, storage or dissemination is funded in whole or in part with monies made available by the law enforcement assistance administration after July 1, 1973, pursuant to title I of the crime control act of 1973, and to all agencies that interact with or receive criminal justice information from or through the central state repository and through the Arizona criminal justice information system.

S. This section does not apply to criminal history record information contained in:

1. Posters, arrest warrants, announcements or lists for identifying or apprehending fugitives or wanted persons.

2. Original records of entry such as police blotters maintained by criminal justice agencies, compiled chronologically and required by law or long-standing custom to be made public if these records are organized on a chronological basis.

3. Transcripts or records of judicial proceedings if released by a court or legislative or administrative proceedings.

4. Announcements of executive clemency or pardon.

5. Computer databases, other than the Arizona criminal justice information system, that are specifically designed for community notification of an offender's presence in the community pursuant to section 13-3825 or for public informational purposes authorized by section 13-3827.

T. Nothing in this section prevents a criminal justice agency from disclosing to the public criminal history record information that is reasonably contemporaneous to the event for which an individual is currently within the criminal justice system, including information noted on traffic accident reports concerning citations, blood alcohol tests or arrests made in connection with the traffic accident being investigated.

U. In order to ensure that complete and accurate criminal history record information is maintained and disseminated by the central state repository:

1. The booking agency shall take legible ten-print fingerprints of all persons who are arrested for offenses listed in subsection C of this section. The booking agency shall obtain a process control number and provide to the person fingerprinted a document that indicates proof of the fingerprinting and that informs the person that the document must be presented to the court.

2. Except as provided in paragraph 3 of this subsection, if a person is summoned to court as a result of an indictment or complaint for an offense listed in subsection C of this section, the court shall order the person to appear before the county sheriff and provide legible ten-print fingerprints. The county sheriff shall obtain a process control number and provide a document to the person fingerprinted that indicates proof of the fingerprinting and that informs the person that the document must be presented to the court. For the purposes of this paragraph, "summoned" includes a written promise to appear by the defendant on a uniform traffic ticket and complaint.

3. If a person is arrested for a misdemeanor offense listed in subsection C of this section by a city or town law enforcement agency, the person shall appear before the law enforcement agency that arrested the defendant and provide legible ten-print fingerprints. The law enforcement agency shall obtain a process control number and provide a document to the person fingerprinted that indicates proof of the fingerprinting and that informs the person that the document must be presented to the court.

4. The mandatory fingerprint compliance form shall contain the following information:

(a) Whether ten-print fingerprints have been obtained from the person.

(b) Whether a process control number was obtained.

(c) The offense or offenses for which the process control number was obtained.

(d) Any report number of the arresting authority.

(e) Instructions on reporting for ten-print fingerprinting, including available times and locations for reporting for ten-print fingerprinting.

(f) Instructions that direct the person to provide the form to the court at the person's next court appearance.

5. Within ten days after a person is fingerprinted, the arresting authority or agency that took the fingerprints shall forward the fingerprints to the department in the manner or form required by the department.

6. On the issuance of a summons for a defendant who is charged with an offense listed in subsection C of this section, the summons shall direct the defendant to provide ten-print fingerprints to the appropriate law enforcement agency.

7. At the initial appearance or on the arraignment of a summoned defendant who is charged with an offense listed in subsection C of this section, if the person does not present a completed mandatory fingerprint compliance form to the court or if the court has not received the process control number, the court shall order that within twenty calendar days the defendant be ten-print fingerprinted at a designated time and place by the appropriate law enforcement agency.

8. If the defendant fails to present a completed mandatory fingerprint compliance form or if the court has not received the process control number, the court, on its own motion, may remand the defendant into custody for ten-print fingerprinting. If otherwise eligible for release, the defendant shall be released from custody after being ten-print fingerprinted.

9. In every criminal case in which the defendant is incarcerated or fingerprinted as a result of the charge, an originating law enforcement agency or prosecutor, within forty days of the disposition, shall advise the central state repository of all dispositions concerning the termination of criminal proceedings against an individual arrested for an offense specified in subsection C of this section. This information shall be submitted on a form or in a manner required by the department.

10. Dispositions resulting from formal proceedings in a court having jurisdiction in a criminal action against an individual who is arrested for an offense specified in subsection C of this section or section 8-341, subsection W, paragraph 3 shall be reported to the central state repository within forty days of the date of the disposition. This information shall be submitted on a form or in a manner specified by rules approved by the supreme court.

11. The state department of corrections or the department of juvenile corrections, within forty days, shall advise the central state repository that it has assumed supervision of a person convicted of an offense specified in subsection C of this section or section 8-341, subsection W, paragraph 3. The state department of corrections or the department of juvenile corrections shall also report dispositions that occur thereafter to the central state repository within forty days of the date of the dispositions. This information shall be submitted on a form or in a manner required by the department of public safety.

12. Each criminal justice agency shall query the central state repository before dissemination of any criminal history record information to ensure the completeness of the information. Inquiries shall be made before any dissemination except in those cases in which time is of the essence and the repository is technically incapable of responding within the necessary time period. If time is of the essence, the inquiry shall still be made and the response shall be provided as soon as possible.

V. The director shall adopt rules specifying that any agency that collects, stores or disseminates criminal justice information that is subject to this section shall establish effective security measures to protect the information from unauthorized access, disclosure, modification or dissemination. The rules shall include reasonable safeguards to protect the affected information systems from fire, flood, wind, theft, sabotage or other natural or man-made hazards or disasters.

W. The department shall make available to agencies that contribute to, or receive criminal justice information from, the central state repository or through the Arizona criminal justice information system a continuing training program in the proper methods for collecting, storing and disseminating information in compliance with this section.

X. Nothing in this section creates a cause of action or a right to bring an action including an action based on discrimination due to sexual orientation.

Y. For the purposes of this section:

1. "Administration of criminal justice" means performance of the detection, apprehension, detention, pretrial release, posttrial release, prosecution, adjudication, correctional supervision or rehabilitation of criminal offenders. Administration of criminal justice includes enforcement of criminal traffic offenses and civil traffic violations, including parking violations, when performed by a criminal justice agency. Administration of criminal justice also includes criminal identification activities and the collection, storage and dissemination of criminal history record information.

2. "Administrative records" means records that contain adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency and that are designed to furnish information to protect the rights of this state and of persons directly affected by the agency's activities.

3. "Arizona criminal justice information system" or "system" means the statewide information system managed by the director for the collection, processing, preservation, dissemination and exchange of criminal justice information and includes the electronic equipment, facilities, procedures and agreements necessary to exchange this information.

4. "Booking agency" means the county sheriff or, if a person is booked into a municipal jail, the municipal law enforcement agency.

5. "Central state repository" means the central location within the department for the collection, storage and dissemination of Arizona criminal history records and related criminal justice information.

6. "Criminal history record information" and "criminal history record" means information that is collected by criminal justice agencies on individuals and that consists of identifiable descriptions and notations of arrests, detentions, indictments and other formal criminal charges, and any disposition arising from those actions, sentencing, formal correctional supervisory action and release. Criminal history record information and criminal history record do not include identification information to the extent that the information does not indicate involvement of the individual in the criminal justice system or information relating to juveniles unless they have been adjudicated as adults.

7. "Criminal justice agency" means either:

(a) A court at any governmental level with criminal or equivalent jurisdiction, including courts of any foreign sovereignty duly recognized by the federal government.

(b) A government agency or subunit of a government agency that is specifically authorized to perform as its principal function the administration of criminal justice pursuant to a statute, ordinance or executive order and that allocates more than fifty percent of its annual budget to the administration of criminal justice. This subdivision includes agencies of any foreign sovereignty duly recognized by the federal government.

8. "Criminal justice information" means information that is collected by criminal justice agencies and that is needed for the performance of their legally authorized and required functions, such as criminal history record information, citation information, stolen property information, traffic accident reports, wanted persons information and system network log searches. Criminal justice information does not include the administrative records of a criminal justice agency.

9. "Disposition" means information disclosing that a decision has been made not to bring criminal charges or that criminal proceedings have been concluded or information relating to sentencing, correctional supervision, release from correctional supervision, the outcome of an appellate review of criminal proceedings or executive clemency.

10. "Dissemination" means the written, oral or electronic communication or transfer of criminal justice information to individuals and agencies other than the criminal justice agency that maintains the information. Dissemination includes the act of confirming the existence or nonexistence of criminal justice information.

11. "Management control":

(a) Means the authority to set and enforce:

(i) Priorities regarding development and operation of criminal justice information systems and programs.

(ii) Standards for the selection, supervision and termination of personnel involved in the development of criminal justice information systems and programs and in the collection, maintenance, analysis and dissemination of criminal justice information.

(iii) Policies governing the operation of computers, circuits and telecommunications terminals used to process criminal justice information to the extent that the equipment is used to process, store or transmit criminal justice information.

(b) Includes the supervision of equipment, systems design, programming and operating procedures necessary for the development and implementation of automated criminal justice information systems.

12. "Process control number" means the Arizona automated fingerprint identification system number that attaches to each arrest event at the time of fingerprinting and that is assigned to the arrest fingerprint card, disposition form and other pertinent documents.

13. "Secondary dissemination" means the dissemination of criminal justice information from an individual or agency that originally obtained the information from the central state repository or through the Arizona criminal justice information system to another individual or agency.

14. "Sexual orientation" means consensual homosexuality or heterosexuality.

15. "Subject of record" means the person who is the primary subject of a criminal justice record.

Sec. 57. Section 41-2632, Arizona Revised Statutes, is amended to read:

41-2632. Cooperative purchasing authorized; definitions

A. Any public procurement unit may either participate in, sponsor, conduct or administer a cooperative purchasing agreement ~~for the procurement of~~ **TO PROCURE** any materials, services, professional services, construction or construction services with one or more public procurement units or external procurement activities in accordance with an agreement entered into between the participants. The cooperative purchasing may include joint or multiparty contracts between public procurement units and open-ended public procurement unit contracts that ~~shall be~~ **ARE** available to local public procurement units. A nonprofit corporation may enter into an agreement pursuant to this section if one or more of the parties involved is a public procurement unit. An agreement entered into as provided in this article is exempt from section 11-952, subsection D. Parties under a cooperative purchasing agreement may:

1. Sponsor, conduct or administer a cooperative agreement ~~for the procurement~~ **TO PROCURE** or ~~disposal~~ **DISPOSE** of any materials, services or construction.

2. Cooperatively use materials or services.

3. Commonly use or share warehousing facilities, capital equipment and other facilities.

4. Provide personnel, except that the requesting public procurement unit shall pay the public procurement unit providing the personnel the direct and indirect cost of providing the personnel, in accordance with the agreement.

5. On request, make available to other public procurement units informational, technical or other services or software that may assist in improving the efficiency or economy of procurement. The public procurement unit furnishing the informational, technical or other services or software has the right to request reimbursement for the reasonable and necessary costs of providing these services or software.

6. Pursuant to the rules for cooperative purchasing adopted by the director, purchase materials, services, professional services, construction or construction services under the terms of a contract between a vendor and a public procurement unit or an external procurement activity without complying with the requirements of sections 41-2533, 41-2534 and 41-2535.

B. The **DIVISION OF** school facilities **board** **WITHIN THE DEPARTMENT OF ADMINISTRATION** or school districts, or both, may enter into an agreement with a public procurement unit pursuant to this section for the purpose of procuring materials and services needed to correct deficiencies in school facilities.

C. The activities described in this section do not limit what parties may do under a cooperative purchasing agreement.

D. A nonprofit corporation operating as a public procurement unit under this section, on request of the auditor general, shall provide to the auditor general all documentation concerning any cooperative purchasing transaction the public procurement unit administers under this section.

E. A nonprofit corporation operating as a public procurement unit under this section shall comply with all procurement laws applicable to the public procurement unit participating in a cooperative purchasing transaction that the nonprofit corporation administers.

F. This section does not abrogate the responsibility of each public procurement unit to ensure compliance with procurement laws that apply to the particular public procurement, notwithstanding the fact that the cooperative purchase is administered by a nonprofit corporation operating under this section.

G. Any public procurement unit conducting or administering a cooperative purchasing agreement **for the procurement of TO PROCURE** construction services or professional services shall comply with the requirements of section 34-603 or 41-2578.

H. For the purposes of this section:

1. "Construction services" has the same meaning prescribed in section 41-2503.

2. "Professional services" has the same meaning prescribed in section 41-2578.

Sec. 58. Section 41-3022.18, Arizona Revised Statutes, is amended to read:

41-3022.18. School facilities oversight board; termination July 1, 2022

A. The school facilities **OVERSIGHT** board terminates on July 1, 2022.

B. Title **15 41**, chapter **16 56**, articles 1, 2, 3, 4, 5, 6, 7, 8 and 9 and this section are repealed on January 1, 2023 only if either:

1. The board has no outstanding state school facilities revenue bonds issued pursuant to title **15 41**, chapter **16 56**, article 6, no outstanding state school improvement revenue bonds issued pursuant to title **15 41**, chapter **16 56**, article 7 and no outstanding lease-to-own transactions pursuant to sections **15-2004 41-5703**, **15-2005 41-5704** and **15-2006 41-5705**.

2. The legislature has otherwise provided for paying or retiring any outstanding state school facilities revenue bonds, any outstanding state school improvement revenue bonds and any outstanding lease-to-own transactions.

C. If neither of the conditions in subsection B of this section **have HAS** occurred on or before January 1, 2023, title **15 41**, chapter **16 56**, articles 1, 2, 3, 4, 5, 6, 7, 8 and 9 and this section are repealed thirty days after the retirement of all revenue bonds issued pursuant to title **15 41**, chapter **16 56**, articles 6 and 7 and any outstanding lease-to-own transactions issued pursuant to sections **15-2004 41-5703**, **15-2005 41-5704** and **15-2006 41-5705**.

Sec. 59. Section 41-3026.01, Arizona Revised Statutes, is amended to read:

41-3026.01. Credit enhancement eligibility board; termination July 1, 2026

A. The credit enhancement eligibility board terminates on July 1, 2026.

B. Title **15 41**, chapter **16 56**, articles 10 and 11 are repealed on January 1, 2027 only if both of the following apply:

1. The board has no outstanding program funding obligations issued pursuant to title **15 41**, chapter **16 56**, article 11 or the legislature has otherwise provided for paying or retiring any outstanding program funding obligations issued pursuant to title **15 41**, chapter **16 56**, article 11.

2. There are no outstanding guaranteed financings approved pursuant to title **15 41**, chapter **16 56**, article 11.

C. If both of the conditions in subsection B of this section do not exist on January 1, 2027, title **15 41**, chapter **16 56**, articles 10 and 11 are repealed thirty days after both of the conditions in subsection B of this section are met.

Sec. 60. **Heading change**

The article heading of title 41, chapter 56, article 1, as transferred and renumbered, is changed from "SCHOOL FACILITIES BOARD" to "SCHOOL FACILITIES".

Sec. 61. Title 41, chapter 56, article 1, Arizona Revised Statutes, as transferred and renumbered, is amended by adding sections 41-5701 and 41-5701.01, to read:

41-5701. Definitions

IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

1. "BOARD" MEANS THE SCHOOL FACILITIES OVERSIGHT BOARD.

2. "DIVISION" MEANS THE DIVISION OF SCHOOL FACILITIES WITHIN THE DEPARTMENT OF ADMINISTRATION.

41-5701.01. Division of school facilities

A. THE DIVISION OF SCHOOL FACILITIES IS ESTABLISHED WITHIN THE DEPARTMENT OF ADMINISTRATION.

B. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL APPOINT THE DIRECTOR OF THE DIVISION.

Sec. 62. Section 41-5701.02, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5701.02. School facilities oversight board; members; conflict of interest; violation; classification; change orders; notification

A. The school facilities OVERSIGHT board is established WITHIN THE DIVISION consisting of the following members who ~~shall be~~ ARE appointed by the governor pursuant to section 38-211 in such a manner as to provide for approximate geographic balance and approximate balance between public and private members:

~~1. One member who is an elected member of a school district governing board with knowledge and experience in the area of finance:~~

~~2. One private citizen who represents an organization of taxpayers:~~

~~3. One member with knowledge and experience in public procurement:~~

~~4. One member who is a registered professional architect and who has current knowledge and experience in school architecture:~~

~~5. One member with knowledge and experience in school facilities management in a public school system:~~

~~6. One member with knowledge and experience in demographics:~~

~~7. One member who is a teacher and who currently provides classroom instruction:~~

~~8. One member who is a registered professional engineer and who has current knowledge and experience in school engineering:~~

~~9. One member who is an owner or officer of a private construction company whose business does not include school construction:~~

1. ONE MEMBER WHO REPRESENTS A STATEWIDE ORGANIZATION OF TAXPAYERS.

2. ONE MEMBER WHO IS A REGISTERED PROFESSIONAL ARCHITECT.

3. ONE MEMBER WITH KNOWLEDGE AND EXPERIENCE IN SCHOOL FACILITIES MANAGEMENT IN A PUBLIC SCHOOL SYSTEM.

4. ONE MEMBER WHO IS A REGISTERED PROFESSIONAL ENGINEER.

5. TWO MEMBERS WHO ARE OWNERS OR OFFICERS OF A PRIVATE CONSTRUCTION COMPANY, WHO HAVE KNOWLEDGE OF AND EXPERIENCE IN CONSTRUCTING LARGE COMMERCIAL OR GOVERNMENT BUILDINGS AND WHOSE BUSINESSES DO NOT INCLUDE SCHOOL CONSTRUCTION.

6. ONE PERSON WHO REPRESENTS THE BUSINESS COMMUNITY.

B. In addition to the members appointed pursuant to subsection A of this section: ~~7~~

1. The superintendent of public instruction or the superintendent's designee shall serve as an advisory nonvoting member of the school facilities OVERSIGHT board.

2. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION OR THE DIRECTOR'S DESIGNEE SHALL SERVE AS AN ADVISORY NONVOTING MEMBER OF THE SCHOOL FACILITIES OVERSIGHT BOARD.

~~C. The governor shall appoint a chairperson from members appointed pursuant to subsection A of this section:~~

~~D. C.~~ **C. Members of the school facilities OVERSIGHT board serve four-year terms. The school facilities OVERSIGHT board shall meet as often as the members deem necessary. A majority of the members constitutes a quorum for the transaction of business.**

~~E. D.~~ **D. The unexcused absence of a member for more than three consecutive meetings is justification for removal by a majority vote of the board. If the member is removed, notice shall be given of the removal pursuant to section 38-292.**

~~F. E.~~ **E. The governor shall fill a vacancy by appointment of a qualified person as provided in subsection A of this section.**

~~G. F.~~ **F. Members of the board who are employed by government entities are not eligible to receive compensation. Members of the board who are not employed by government entities are entitled to payment of ~~one hundred fifty dollars~~ \$150 for each meeting attended, prorated for partial days spent for each meeting, up to ~~two thousand five hundred dollars~~ \$2,500 each year. All members are eligible for reimbursement of expenses**

pursuant to title 38, chapter 4, article 2. These expenses and the payment of compensation are payable to a member from monies appropriated to the board from the new school facilities fund.

~~H~~ **G.** Members and employees of the school facilities **OVERSIGHT** board are subject to title 38, chapter 3, article 8.

~~I~~ **H.** In addition to the requirements prescribed in subsection ~~H~~ **G** of this section, employees of the school facilities **OVERSIGHT** board may not have a direct or indirect financial interest in any property purchased, facility constructed or contract financed with monies made available by the board or any other public monies. A person who knowingly violates this subsection is guilty of a class 1 misdemeanor.

~~J~~ **I.** The ~~school facilities board~~ **DIVISION** shall establish policies and procedures relating to building renewal grant change orders that include the following:

1. The ~~board staff~~ **DIVISION** shall approve or reject a change order within two business days.

2. If a school district approves work referenced in a change order before the ~~board~~ **DIVISION** approves the change order, the school district is responsible for the cost and construction of the project.

~~K~~ **J.** The ~~school facilities board~~ **DIVISION** shall establish policies and procedures to ensure that it notifies school districts in a uniform manner and at least annually of the services and funding that are available from the board **AND THE DIVISION** for facility construction, renovation and repair projects. The ~~board~~ **DIVISION** shall update and post this information on its website on or before July 1 of each year.

~~L~~ **K.** The ~~school facilities board~~ **DIVISION** shall establish and maintain a list of the persons who are responsible for facilities management at each school district in this state. A school district shall promptly notify the ~~board~~ **DIVISION** of any change to persons who are responsible for facilities management at that school district. The ~~board~~ **DIVISION** shall update and post this information on its website on or before July 1 of each year.

~~M~~ **L.** Members of the school facilities **OVERSIGHT** board may not solicit, accept or provide gifts that are prohibited by state law.

Sec. 63. Section 41-5702, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5702. Powers and duties; staffing; reporting requirements

A. The ~~school facilities board~~ **DIVISION** shall:

1. ~~Make assessments of~~ **ASSESS** school facilities and equipment deficiencies and approve the distribution of grants as appropriate.

2. Maintain a database of school facilities to ~~administer~~ **ALLOW FOR THE ADMINISTRATION OF** the ~~building renewal grant fund and~~ new school facilities formula **AND THE BUILDING RENEWAL GRANT FUND**. The facilities listed in the database must include all buildings that are owned by school districts. The ~~school facilities board~~ **DIVISION** shall ensure that the database is updated on at least an annual basis. Each school district shall report to the ~~school facilities board no~~ **DIVISION NOT** later than September 1 of each year information as required by the ~~school facilities board for the administration of~~ **DIVISION TO ADMINISTER** the building renewal grant fund and ~~computation of~~ **BY THE SCHOOL FACILITIES OVERSIGHT BOARD TO COMPUTE** new school facilities formula distributions, including the nature and cost of major repairs, renovations or physical improvements to or replacement of building systems or equipment that were made in the previous year and that were paid for either with local monies or monies provided ~~by the school facilities board~~ from the building renewal grant fund. Each school district shall report any school or school buildings that have been closed, that are vacant or partially used pursuant to section 15-119 and that have been leased to another entity or that operate as a charter school. The ~~school facilities board~~ **DIVISION** shall develop guidelines and definitions for the reporting prescribed in this paragraph and may review or audit the information, or both, to confirm the information submitted by a school district. Notwithstanding any other provision of this chapter, if a school district converts space that is listed in the database maintained pursuant to this paragraph to space that will be used for administrative purposes, the school district is responsible for any costs associated with ~~the conversion~~ **CONVERTING**, ~~maintenance~~ **MAINTAINING** and ~~replacement of~~ **REPLACING** that space. If a building is significantly upgraded or remodeled, the ~~school facilities board~~ **DIVISION** shall adjust the age of that school facility in the database as follows:

(a) Determine the building capacity value as follows:

(i) Multiply the student capacity of the building by the per pupil square foot capacity established by section ~~15-2041~~ **41-5741**.

(ii) Multiply the product determined in item (i) of this subdivision by the cost per square foot established by section ~~15-2041~~ **41-5741**.

(b) Divide the cost of the renovation by the building capacity value determined in subdivision (a) of this paragraph.

(c) Multiply the quotient determined in subdivision (b) of this paragraph by the currently listed age of the building in the database.

(d) Subtract the product determined in subdivision (c) of this paragraph from the currently listed age of the building in the database, rounded to the nearest whole number. If the result is a negative number, use zero.

3. Inspect, **CONTRACT WITH A THIRD PARTY TO INSPECT OR CERTIFY SCHOOL DISTRICT SELF-INSPECTIONS OF** school buildings at least once every five years to ensure compliance with the building adequacy standards prescribed in section ~~15-2011~~ **41-5711**, the accuracy of the reporting of vacant and partially

used buildings pursuant to this subsection and routine preventive maintenance guidelines as prescribed in this section with respect to ~~construction of~~ CONSTRUCTING new buildings and ~~maintenance of~~ MAINTAINING existing buildings. The ~~school facilities board~~ DIVISION shall randomly select twenty school districts every thirty months and ~~inspect~~ PROVIDE FOR them TO BE INSPECTED pursuant to this paragraph.

~~4. Review and approve student population projections submitted by school districts to determine to what extent school districts are entitled to monies to construct new facilities pursuant to section 15-2041. The board shall make a final determination within five months after the receipt of an application by a school district for monies from the new school facilities fund:~~

~~5. Certify that plans for new school facilities meet the building adequacy standards prescribed in section 15-2011:~~

~~6.~~ 4. Develop prototypical elementary and high school designs. The ~~board~~ DIVISION shall review the design differences between the schools with the highest academic productivity scores and the schools with the lowest academic productivity scores. The ~~board~~ DIVISION shall also review the results of a valid and reliable survey of parent quality rating in the highest performing schools and the lowest performing schools in this state. The survey of parent quality rating shall be administered by the department of education. The ~~board~~ DIVISION shall consider the design elements of the schools with the highest academic productivity scores and parent quality ratings in the development of elementary and high school designs. The ~~board~~ DIVISION shall develop separate school designs for elementary, middle and high schools with varying pupil capacities.

~~7.~~ 5. Develop application forms, reporting forms and procedures to carry out the requirements of this article, including developing and implementing policies and procedures to:

(a) Ensure that the ~~DIVISION AND THE SCHOOL FACILITIES OVERSIGHT~~ board, ~~AS APPLICABLE,~~ ~~notifies~~ NOTIFY school districts in a uniform manner of the services and funding available for school districts from the board ~~OR THE DIVISION~~ for facility construction, renovation and repair projects. The policies and procedures shall require the ~~DIVISION AND THE~~ board to provide at least one annual communication to school districts in a manner prescribed by the ~~board~~ DIVISION and shall require each school district to develop and maintain a list of persons who are responsible for facilities management at that school district.

(b) Establish a project eligibility assessment for all projects submitted for building renewal grant funding or emergency deficiencies correction funding, including establishing standardized criteria for project eligibility. Before the ~~board~~ DIVISION formally approves a project, the staff of the ~~board~~ DIVISION may review the costs and scope of the proposed project with persons and entities that have submitted bids on the project.

(c) Ensure that the ~~DIVISION AND THE SCHOOL FACILITIES OVERSIGHT~~ board ~~maintains~~ MAINTAIN standardized documentation of all projects submitted to the board ~~AND THE DIVISION~~ for consideration to receive services or a financial award from the board ~~OR THE DIVISION~~. The board ~~AND THE DIVISION~~ shall maintain standardized documentation of any project awarded monies by the board ~~OR THE DIVISION~~, including records of payments to school districts in a manner prescribed by the ~~board~~ DIVISION. The standardized documentation shall include the following as part of the eligibility determination criteria:

(i) Whether the problem that the proposed project intends to address caused the building or facility to fall below the minimum school facility adequacy guidelines prescribed in section ~~15-2011~~ 41-5711.

(ii) Whether the school district performed the routine preventive maintenance required ~~pursuant to~~ BY section ~~15-2032~~ 41-5731 on the building or facility.

(d) Require a school district to submit contact information for each proposed project, including the name, ~~e-mail~~ EMAIL address and telephone number of persons who are responsible for facilities management at the school district.

(e) Require a school district to provide justification for each proposed project, including all of the following:

(i) The school district's use or planned use of the facility.

(ii) A detailed description of the problem and the school district's recommended solution.

(iii) Any completed professional study regarding the proposed project.

(iv) Any citation or report from government entities.

(v) The estimated cost of the proposed project, with documentation.

(vi) The project category.

(vii) A description of any local funding that will be used for the proposed project.

(viii) Documentation on associated insurance coverage, if applicable.

~~(f) If the application is for monies from the building renewal grant fund established by section 15-2032, require the school district to report the preventive maintenance activities completed during the previous twelve months for the facility for which the monies are being requested:~~

~~(g)~~ (f) Require that an initial application not be considered complete until all necessary information is submitted.

~~(h)~~ (g) Allow a school district to submit an incomplete application and request technical assistance from the staff of the board if the school district is unable to provide sufficient information in the initial application.

~~(i)~~ (h) IF APPLICABLE, require that a complete application be received by the board at least fifteen business days before the next regularly scheduled board meeting in order for the application to be considered at

that meeting. An incomplete application may be considered at that meeting if both the staff of the board and the superintendent of the school district deem the project critical.

~~(j)~~ (i) Allow the staff of the board **OR THE DIVISION, AS APPLICABLE**, to notify a school district in writing before review by the board **OR DIVISION** that the proposed project does not meet eligibility criteria prescribed in this chapter. The written notification shall include documentation to support the **staff's** determination that the proposed project does not meet the eligibility criteria prescribed in this chapter. The school district may directly appeal the **staff's** determination of ineligibility to the **executive** director of the **board DIVISION**. The school district may directly appeal the **executive** director's determination of ineligibility to the board.

~~(k)~~ (j) Prohibit the staff of the board **OR DIVISION** from requesting that a school district withdraw a project application from review by the board **OR DIVISION** if the initial **staff** review determines that the proposed project may be ineligible for monies **from the board PURSUANT TO THIS CHAPTER**.

~~8. Review and approve or reject requests submitted by school districts to take actions pursuant to section 15-341, subsection G.~~

~~9. 6.~~ Submit electronically an annual report on or before December 15 to the speaker of the house of representatives, the president of the senate, the superintendent of public instruction, the secretary of state and the governor that includes the following information:

(a) A detailed description of the amount of monies distributed by the **school facilities board DIVISION UNDER THIS CHAPTER** in the previous fiscal year.

(b) A list of each capital project that received monies from the **school facilities board DIVISION UNDER THIS CHAPTER** during the previous fiscal year, a brief description of each project that was funded and a summary of the **board's DIVISION'S** reasons for **the distribution of DISTRIBUTING** monies for the project.

(c) A summary of the findings and conclusions of the building maintenance inspections conducted pursuant to this article during the previous fiscal year.

(d) A summary of the findings of common design elements and characteristics of the highest performing schools and the lowest performing schools based on academic productivity, including the results of the parent quality rating survey. For the purposes of this subdivision, "academic productivity" means academic year advancement per calendar year as measured with student-level data using the statewide nationally standardized norm-referenced achievement test.

~~10. 7.~~ On or before December 1 of each year, report electronically to the joint committee on capital review the amounts necessary to fulfill the requirements of **sections 15-2022 and 15-2041 SECTION 41-5721** for the following three fiscal years. In developing the amounts necessary for this report, the **school facilities board DIVISION** shall use the most recent average daily membership data available. On request from the **board DIVISION**, the department of education shall make available the most recent average daily membership data for use in calculating the amounts necessary to fulfill the requirements of section **15-2041 41-5721** for the following three fiscal years. The **board DIVISION** shall provide copies of the report to the president of the senate, the speaker of the house of representatives and the governor.

~~11. Adopt minimum school facility adequacy guidelines to provide the minimum quality and quantity of school buildings and the facilities and equipment necessary and appropriate to enable pupils to achieve the educational goals of the Arizona state schools for the deaf and the blind. The school facilities board shall establish minimum school facility adequacy guidelines applicable to the Arizona state schools for the deaf and the blind.~~

~~12. In each even-numbered year, report electronically to the joint committee on capital review the amounts necessary to fulfill the requirements of section 15-2041 for the Arizona state schools for the deaf and the blind for the following two fiscal years. The Arizona state schools for the deaf and the blind shall incorporate the findings of the report in any request for new school facilities monies. Any monies provided to the Arizona state schools for the deaf and the blind for new school facilities are subject to legislative appropriation.~~

~~13. 8.~~ On or before June 15 of each year, submit electronically detailed information regarding demographic assumptions, **AND** a proposed construction schedule **and new school construction cost estimates** for individual projects approved in the current fiscal year and expected project approvals for the upcoming fiscal year to the joint committee on capital review for its review. A copy of the report shall also be submitted electronically to the governor's office of strategic planning and budgeting. The joint legislative budget committee staff, the governor's office of strategic planning and budgeting staff and the **school facilities board DIVISION** staff shall agree on the format of the report.

~~14. 9.~~ Every two years, provide school districts with information on improving and maintaining the indoor environmental quality in school buildings.

~~15. On or before December 31 of each year, report to the joint legislative budget committee on all class B bond approvals by school districts in that year. Each school district shall report to the school facilities board on or before December 1 of each year information required by the school facilities board for the report prescribed in this paragraph.~~

~~16. Validate proposed adjacent ways projects submitted by school districts as prescribed in section 15-995.~~

10. ADOPT RULES REGARDING THE VALIDATION OF ADJACENT WAYS PROJECTS PURSUANT TO PARAGRAPH 11 OF THIS SUBSECTION.

11. VALIDATE PROPOSED ADJACENT WAYS PROJECTS THAT ARE SUBMITTED BY SCHOOL DISTRICTS AS PRESCRIBED IN SECTION 15-995 PURSUANT TO RULES ADOPTED BY THE DIVISION UNDER PARAGRAPH 10 OF THIS SUBSECTION.

12. SUBMIT A MONTHLY REPORT TO THE SCHOOL FACILITIES OVERSIGHT BOARD THAT DETAILS EACH ADJACENT WAYS PROJECT VALIDATED PURSUANT TO PARAGRAPH 11 OF THIS SUBSECTION.

13. BRIEF THE JOINT COMMITTEE ON CAPITAL REVIEW AT LEAST ONCE EACH YEAR REGARDING THE USE OF MONIES FROM ALL OF THE FOLLOWING:

(a) THE EMERGENCY DEFICIENCIES CORRECTION FUND ESTABLISHED BY SECTION 41-5721.

(b) THE BUILDING RENEWAL GRANT FUND ESTABLISHED BY SECTION 41-5731.

(c) THE NEW SCHOOL FACILITIES FUND ESTABLISHED BY SECTION 41-5741.

B. The school facilities OVERSIGHT board OR THE DIVISION may contract for the following services in compliance with the procurement practices prescribed in ~~title 41~~; chapter 23 OF THIS TITLE:

1. Private services.

2. Construction project management services.

3. Assessments for school buildings to determine if the buildings have outlived their useful life pursuant to section ~~15-2041~~ 41-5741, subsection G OR HAVE BEEN CONDEMNED.

4. Services related to land acquisition and development of a school site.

C. THE BOARD SHALL:

1. REVIEW AND APPROVE STUDENT POPULATION PROJECTIONS SUBMITTED BY SCHOOL DISTRICTS TO DETERMINE TO WHAT EXTENT SCHOOL DISTRICTS ARE ENTITLED TO MONIES TO CONSTRUCT NEW FACILITIES PURSUANT TO SECTION 41-5741. THE SCHOOL FACILITIES OVERSIGHT BOARD SHALL MAKE A FINAL DETERMINATION WITHIN FIVE MONTHS AFTER RECEIVING AN APPLICATION FROM A SCHOOL DISTRICT FOR MONIES FROM THE NEW SCHOOL FACILITIES FUND.

2. CERTIFY THAT PLANS FOR NEW SCHOOL FACILITIES MEET THE BUILDING ADEQUACY STANDARDS PRESCRIBED IN SECTION 41-5711.

3. REVIEW AND APPROVE OR REJECT REQUESTS SUBMITTED BY SCHOOL DISTRICTS TO TAKE ACTIONS PURSUANT TO SECTION 15-341, SUBSECTION G.

4. ON OR BEFORE DECEMBER 15 OF EACH YEAR ELECTRONICALLY SUBMIT A REPORT TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE PRESIDENT OF THE SENATE, THE SUPERINTENDENT OF PUBLIC INSTRUCTION, THE SECRETARY OF STATE AND THE GOVERNOR THAT INCLUDES THE FOLLOWING INFORMATION:

(a) A DETAILED DESCRIPTION OF THE AMOUNT OF MONIES THE BOARD DISTRIBUTED UNDER THIS CHAPTER IN THE PREVIOUS FISCAL YEAR.

(b) A LIST OF EACH CAPITAL PROJECT THAT RECEIVED MONIES FROM THE BOARD UNDER THIS CHAPTER DURING THE PREVIOUS FISCAL YEAR, A BRIEF DESCRIPTION OF EACH PROJECT THAT WAS FUNDED AND A SUMMARY OF THE BOARD'S REASONS FOR DISTRIBUTING MONIES FOR THE PROJECT.

(c) A SUMMARY OF THE FINDINGS AND CONCLUSIONS OF THE BUILDING MAINTENANCE INSPECTIONS CONDUCTED PURSUANT TO THIS ARTICLE DURING THE PREVIOUS FISCAL YEAR.

5. ON OR BEFORE DECEMBER 1 OF EACH YEAR, ELECTRONICALLY REPORT TO THE JOINT COMMITTEE ON CAPITAL REVIEW THE AMOUNTS NECESSARY TO FULFILL THE REQUIREMENTS OF SECTION 41-5741 FOR THE FOLLOWING THREE FISCAL YEARS. IN DEVELOPING THE AMOUNTS NECESSARY FOR THIS REPORT, THE BOARD SHALL USE THE MOST RECENT AVERAGE DAILY MEMBERSHIP DATA AVAILABLE. ON REQUEST FROM THE BOARD, THE DEPARTMENT OF EDUCATION SHALL MAKE AVAILABLE THE MOST RECENT AVERAGE DAILY MEMBERSHIP DATA FOR USE IN CALCULATING THE AMOUNTS NECESSARY TO FULFILL THE REQUIREMENTS OF SECTION 41-5741 FOR THE FOLLOWING THREE FISCAL YEARS. THE BOARD SHALL PROVIDE COPIES OF THE REPORT TO THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE GOVERNOR.

6. ADOPT MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES TO PROVIDE THE MINIMUM QUALITY AND QUANTITY OF SCHOOL BUILDINGS AND THE FACILITIES AND EQUIPMENT NECESSARY AND APPROPRIATE TO ENABLE PUPILS TO ACHIEVE THE EDUCATIONAL GOALS OF THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND. THE BOARD SHALL ESTABLISH MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES APPLICABLE TO THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND.

7. ON OR BEFORE JUNE 15 OF EACH YEAR, ELECTRONICALLY SUBMIT TO THE JOINT COMMITTEE ON CAPITAL REVIEW FOR ITS REVIEW DETAILED INFORMATION REGARDING DEMOGRAPHIC ASSUMPTIONS, A PROPOSED CONSTRUCTION SCHEDULE AND NEW SCHOOL CONSTRUCTION COST ESTIMATES FOR INDIVIDUAL PROJECTS APPROVED IN THE CURRENT FISCAL YEAR AND EXPECTED PROJECT APPROVALS FOR THE UPCOMING FISCAL YEAR. A COPY

OF THE REPORT SHALL ALSO BE SUBMITTED ELECTRONICALLY TO THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING. THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF, THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING STAFF AND THE BOARD STAFF SHALL AGREE ON THE FORMAT OF THE REPORT.

8. ON OR BEFORE DECEMBER 31 OF EACH YEAR, REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE ON ALL CLASS B BOND APPROVALS BY SCHOOL DISTRICTS IN THAT YEAR. EACH SCHOOL DISTRICT SHALL REPORT TO THE BOARD ON OR BEFORE DECEMBER 1 OF EACH YEAR INFORMATION REQUIRED BY THE BOARD FOR THE REPORT PRESCRIBED IN THIS PARAGRAPH.

~~C. D.~~ The ~~governor~~ DIRECTOR OF THE DIVISION shall ~~appoint an executive~~ SERVE AS THE director of the school facilities OVERSIGHT board pursuant to section 38-211. The ~~executive~~ director is eligible to receive compensation as determined pursuant to section 38-611 and may hire and fire necessary staff subject to ~~title 41~~; chapter 4, article 4 OF THIS TITLE and as approved by the legislature in the budget. ~~The executive director shall have demonstrated competency in school finance, facilities design or facilities management, either in private business or government service. The executive director serves at the pleasure of the governor.~~ The staff of the school facilities OVERSIGHT board is exempt from ~~title 41~~; chapter 4, articles 5 and 6 OF THIS TITLE. The ~~executive~~ director:

1. Shall analyze applications for monies submitted to the board AND TO THE DIVISION by school districts.

2. Shall assist the board AND THE DIVISION in developing forms and procedures for ~~the distribution~~ DISTRIBUTING and ~~review of~~ REVIEWING applications and ~~the distribution of~~ DISTRIBUTING monies to school districts.

3. May review or audit, or both, the expenditure of monies by a school district for deficiencies corrections and new school facilities.

4. Shall assist the board AND THE DIVISION in ~~the preparation of~~ PREPARING the board's AND DIVISION'S annual ~~report~~ REPORTS.

5. Shall research and provide reports on issues of general interest to the board AND THE DIVISION.

6. May aid school districts in ~~the development of~~ DEVELOPING reasonable and cost-effective school designs in order to avoid statewide duplicated efforts and unwarranted expenditures in the area of school design.

7. May assist school districts in facilitating the development of multijurisdictional facilities.

8. Shall assist the board AND THE DIVISION in any other appropriate matter or method as directed by the DIVISION AND THE members of the board.

9. Shall establish procedures to ensure compliance with the notice and hearing requirements prescribed in section 15-905. The notice and hearing procedures adopted by the board shall include the requirement, with respect to the board's consideration of any application filed after July 1, 2001 or after December 31 of the year in which the property becomes territory in the vicinity of a military airport or ancillary military facility as defined in section 28-8461 for monies to fund the construction of new school facilities proposed to be located in territory in the vicinity of a military airport or ancillary military facility, that the military airport receive notification of the application by first class mail at least thirty days before any hearing concerning the application.

10. May expedite any request for monies in which the local match was not obtained for a project that received preliminary approval by the state board for school capital facilities.

11. Shall expedite any request for monies in which the school district governing board submits an application that shows an immediate need for a new school facility.

12. Shall ~~make a determination as to~~ DETERMINE administrative ~~completion~~ COMPLETENESS within one month after ~~the receipt of~~ RECEIVING an application by FROM a school district for monies from the new school facilities fund.

13. Shall provide technical support to school districts as requested by school districts in connection with ~~the construction of~~ CONSTRUCTING new school facilities and ~~the maintenance of~~ MAINTAINING existing school facilities and may contract directly with construction project managers pursuant to subsection B of this section. This paragraph does not restrict a school district from contracting with a construction project manager using district or state resources.

~~D. E.~~ When appropriate, the ~~school facilities~~ board AND THE DIVISION shall review and use the statewide school facilities inventory and needs assessment conducted by the joint committee on capital review and issued in July, 1995.

~~E. F.~~ The school facilities OVERSIGHT board shall contract with one or more private building inspectors to complete an initial assessment of school facilities and equipment and shall inspect each school building in this state at least once every five years to ensure compliance with section ~~15-2011~~ 41-5711. A copy of the inspection report, together with any recommendations for building maintenance, shall be provided to the school facilities OVERSIGHT board and the governing board of the school district.

~~F. G.~~ The ~~school facilities~~ DIVISION OR THE board, AS APPLICABLE, may consider appropriate combinations of facilities or uses in ~~making assessments of~~ ASSESSING and curing deficiencies pursuant to subsection A, paragraph 1 of this section and in certifying plans for new school facilities pursuant to subsection ~~A C~~, paragraph 5-2 of this section.

G: H. The board shall not award any monies to fund new facilities that are financed by class A bonds that are issued by the school district.

H: I. The board **OR THE DIVISION** shall not distribute monies to a school district for **replacement REPLACING** or **repair-of REPAIRING** facilities if the costs associated with the replacement or repair are covered by insurance or a performance or payment bond.

I: J. The **board DIVISION** may contract for construction services and materials that are necessary to correct existing deficiencies in school district facilities. The **board DIVISION** may procure the construction services necessary pursuant to this subsection by any method, including construction-manager-at-risk, design-build, design-bid-build or job-order-contracting as provided by **title-41; chapter 23 OF THIS TITLE**. The construction planning and services performed pursuant to this subsection are exempt from section 41-791.01.

J: K. The **school-facilities-board DIVISION** may enter into agreements with school districts to allow **school-facilities-board DIVISION** staff and contractors access to school property for the purposes of performing the construction services necessary pursuant to subsection **I J** of this section.

K: L. Each school district shall develop routine preventive maintenance guidelines for its facilities. The guidelines shall include plumbing systems, electrical systems, heating, ventilation and air conditioning systems, special equipment and other systems and for roofing systems shall recommend visual inspections performed by district staff for signs of structural stress and weakness. The guidelines shall be submitted to the **school-facilities board DIVISION** for review and approval. If on inspection by the **school-facilities-board DIVISION** it is determined that a school district facility was inadequately maintained pursuant to the school district's routine preventive maintenance guidelines, the school district shall return the building to compliance with the school district's routine preventive maintenance guidelines.

L: M. The **school-facilities board AND THE DIVISION** may temporarily transfer monies, **OR, IF APPLICABLE, DIRECT THE DIVISION TO TRANSFER MONIES**, between **the-capital-reserve-fund established-by-section-15-2003**; the emergency deficiencies correction fund established by section **15-2022 41-5721** and the new school facilities fund established by section **15-2041 41-5741** if all of the following conditions are met:

1. The transfer is necessary to avoid a temporary shortfall in the fund into which the monies are transferred.

2. The transferred monies are restored to the fund where the monies originated as soon as practicable after the temporary shortfall in the other fund has been addressed.

3. The **school-facilities board reports AND THE DIVISION REPORT** to the joint committee on capital review the amount of and the reason for any monies transferred.

M: N. After notifying each school district, and if a written objection from the school district is not received by the **school-facilities board OR THE DIVISION** within thirty days **of AFTER** the notification, the **school-facilities board OR THE DIVISION** may access public utility company records of power, water, natural gas, telephone and broadband usage to assemble consistent and accurate data on utility consumption at school facilities to determine the effectiveness of facility design, operation and maintenance measures intended to reduce energy and water consumption and costs. Any public utility that provides service to a school district in this state shall provide the data requested by the **school-facilities board OR THE DIVISION** pursuant to this subsection.

N: O. The **school-facilities DIVISION OR THE** board shall not require a common school district that provides instruction to pupils in grade nine to obtain approval from the **school-facilities DIVISION OR THE** board to reconfigure its school facilities. A common school district that provides instruction to pupils in grade nine is not entitled to additional monies from the **school-facilities DIVISION OR THE** board for facilities to educate pupils in grade nine.

O: P. A school district may appeal the denial of a request for monies pursuant to this chapter or any other appealable agency action by the **school-facilities DIVISION OR THE** board pursuant to **title-41; chapter 6, article 10 OF THIS TITLE**. For the purposes of this subsection, "appealable agency action" has the same meaning prescribed in section 41-1092.

Sec. 64. Section 41-5703, Arizona Revised Statutes, as transferred and renumbered, is amended to read: **41-5703. School facilities oversight board lease-to-own; fund; expiration**

A. In order to fulfill the requirements of section **15-2041 41-5741**, the **school-facilities board** may acquire school facilities for the use of one or more school districts by entering into one or more lease-to-own transactions in accordance with this section. For **THE** purposes of this section, providing school facilities includes land acquisition, related infrastructure, fixtures, furnishings, equipment and costs of the lease-to-own transaction. The **school-facilities board** may provide monies to provide school facilities in part pursuant to section **15-2041 41-5741** and in part through a lease-to-own transaction.

B. A lease-to-own transaction may provide for:

1. The ground lease of the land for the facilities to a private entity for the term of the lease-to-own transaction or for a term of up to one and one-half times the term of the lease-to-own transaction, subject to earlier termination on completion of performance of the lease-to-own agreement. The ground lessor may either be the school district or the **school-facilities board**, whichever holds title to the land.

2. The lease of the completed school facilities by a private entity to the **school-facilities board** for an extended term of years pursuant to a lease-to-own agreement.

3. The sublease of the completed school facilities by the **school facilities** board to the school district during the term of the lease-to-own agreement. The sublease shall provide for the use, maintenance and operation of the school facilities by the school district and for the transfer of ownership of the school facilities to the school district on completion of performance of the lease-to-own agreement.

4. The option for the **school facilities** board's purchase of the school facilities and transfer of ownership of the school facilities to the school district before the expiration of the lease-to-own agreement.

5. The services of trustees, financial advisors, paying agents, transfer agents, underwriters, lawyers and other professional service providers, credit enhancements or liquidity facilities and all other services considered necessary by the **school facilities** board in connection with the lease-to-own transaction, and related agreements and arrangements including arrangements for the creation and sale of certificates of participation evidencing proportionate interests in the lease payments to be made by the **school facilities** board pursuant to the lease-to-own agreement.

C. The sublease of the school facilities to the school district is subject to this section and to the provisions of the lease-to-own agreement. Neither a ground lease by the school district as lessor nor a sublease of the school facilities to the school district is required to be authorized by a vote of the school district electors. A ground lease is not subject to any limitations or requirements applicable to leases or lease-purchase agreements pursuant to section 15-342 or any other section of **TITLE 15 OR this title CHAPTER**.

D. Any school facility that is constructed through a lease-to-own agreement shall meet the minimum building adequacy standards set forth in section ~~15-2011~~ 41-5711.

E. School districts may use local monies to exceed the minimum adequacy standards and to build athletic fields and any other capital project for leased-to-own facilities.

F. The **school facilities** board shall include any square footage of new school facilities constructed through lease-to-own agreements in the computations prescribed in section ~~15-2011~~ 41-5711.

G. ~~A~~ **THE** lease-to-own fund is established consisting of monies appropriated by the legislature. The **school facilities** board shall administer the fund and distribute monies in the fund to make payments pursuant to lease-to-own agreements entered into by the **school facilities** board pursuant to this section, to make payments to or for the benefit of school districts pursuant to local lease-to-own agreements entered into by school districts pursuant to section ~~15-2005~~ 41-5704 and to pay costs considered necessary by the **school facilities** board in connection with lease-to-own transactions and local lease-to-own transactions. Payments by the **school facilities** board pursuant to a lease-to-own agreement or local lease-to-own agreement shall be made only from the lease-to-own fund. On notice from the **school facilities** board, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the lease-to-own fund.

H. A lease-to-own agreement entered into by the **school facilities** board pursuant to this section shall provide that:

1. At the completion of the lease-to-own agreement, ownership of the school facilities and land associated with the lease-to-own agreement shall be transferred to the school district as specified in the agreement.

2. The obligation of the **school facilities** board to make any payment under the lease-to-own agreement is a current expense, payable exclusively from appropriated monies, and is not a general obligation indebtedness of this state or the **school facilities** board. The obligation of a school district to make expenditures under a sublease pursuant to subsection B, paragraph 3 of this section is a current expense, payable exclusively from budgeted monies, and is not a general obligation indebtedness of the school district.

3. If the legislature fails to appropriate monies or the **school facilities** board fails to allocate such monies for any periodic payment or renewal term of the lease-to-own agreement, the lease-to-own agreement terminates at the end of the current term and this state and the **school facilities** board are relieved of any subsequent obligation under the agreement and the school district is relieved of any subsequent obligation under the sublease.

4. The lease-to-own agreement shall be reviewed and approved by the attorney general before the agreement may take effect.

5. Before the agreement takes effect and after review by the attorney general, the project or projects related to the agreement shall be submitted for review by the joint committee on capital review.

I. The **school facilities** board may covenant to use its best efforts to budget, obtain, allocate and maintain sufficient appropriated monies to make payments under a lease-to-own agreement, but the lease-to-own agreement shall acknowledge that appropriating state monies is a legislative act and is beyond the control of the **school facilities** board or of any other party to the lease-to-own agreement.

J. The land and the school facilities on the land are exempt from taxation during the term of the lease-to-own agreement and during construction and subsequent occupancy by the school district pursuant to the sublease.

K. The powers prescribed in this section are in addition to the powers conferred by any other law. Without reference to any other provision of **TITLE 15, this title CHAPTER** or ~~to~~ any other law, this section is authority for the completion of the purposes prescribed in this section for the **school facilities** board to provide school facilities for use by school districts through lease-to-own transactions pursuant to this section without regard to the procedure required by any other law. Except as otherwise provided in this section, the provisions of

TITLE 15 AND this title CHAPTER that relate to the matters contained in this section are superseded because this section is the exclusive law on these matters.

L. The **school facilities** board shall not enter into lease-to-own transactions, including any refinancings or refundings, pursuant to this section from and after May 15, 2006.

Sec. 65. Section 41-5704, Arizona Revised Statutes, as transferred and renumbered, is amended to read:
~~41-5704.~~ Local lease-to-own by school districts; expiration

A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741, with the approval of the **school facilities** board, a school district may acquire school facilities by entering into a local lease-to-own transaction in accordance with this section. For purposes of this section, providing school facilities includes land acquisition, related infrastructure, fixtures, furnishings, equipment and costs of the local lease-to-own transaction. The **school facilities** board may provide monies to provide school facilities in part pursuant to section ~~15-2041~~ 41-5741 and in part through payments to or for the benefit of a school district for a local lease-to-own transaction.

B. A local lease-to-own transaction may provide for:

1. The ground lease of the land for the facilities to a private entity for the term of the local lease-to-own transaction or for a term of up to one and one-half times the term of the local lease-to-own transaction, subject to earlier termination on completion of performance of the local lease-to-own agreement. The ground lessor may either be the school district or the **school facilities** board, whichever holds title to the land.

2. The lease of the completed school facilities by a private entity to the school district for an extended term of years pursuant to a local lease-to-own agreement. The local lease-to-own agreement shall provide for the use, maintenance and operation of the school facilities by the school district and for the transfer of ownership of the school facilities to the school district on completion of performance of the local lease-to-own agreement.

3. The option for the school district's purchase of the school facilities and transfer of ownership of the school facilities to the school district before the expiration of the local lease-to-own agreement.

4. The services of trustees, financial advisors, paying agents, transfer agents, underwriters, lawyers and other professional service providers, credit enhancements or liquidity facilities and all other services considered necessary by the school district or the **school facilities** board in connection with the local lease-to-own transaction, and related agreements and arrangements including arrangements for the creation and sale of certificates of participation evidencing proportionate interests in the lease payments to be made by the school district pursuant to the local lease-to-own agreement.

C. Neither a ground lease by the school district as lessor nor a local lease-to-own agreement is required to be authorized by a vote of the school district electors. A ground lease is not subject to any limitations or requirements applicable to leases or lease-purchase agreements pursuant to section 15-342 or any other section of **TITLE 15 OR this title CHAPTER**.

D. The **school facilities** board may make payments to or for the benefit of the school district from the lease-to-own fund established by section ~~15-2004~~ 41-5703 for the payment of amounts payable under the local lease-to-own agreement.

E. Any school facility that is constructed through a lease-to-own agreement shall meet the minimum building adequacy standards set forth in section ~~15-2011~~ 41-5711.

F. School districts may use local monies to exceed the minimum adequacy standards and to build athletic fields and any other capital project for leased-to-own facilities.

G. The **school facilities** board shall include any square footage of new school facilities constructed through lease-to-own agreements in the computations prescribed in section ~~15-2011~~ 41-5711.

H. A local lease-to-own agreement entered into by a school district pursuant to this section shall provide that:

1. At the completion of the lease-to-own agreement, ownership of the school facilities and land associated with the lease-to-own agreement shall be transferred to the school district as specified in the agreement.

2. The obligation of the school district to make any payment or expenditure under the local lease-to-own agreement is a current expense, payable exclusively from properly budgeted monies, and is not a general obligation indebtedness of this state, the **school facilities** board or the school district, and that any payment by the **school facilities** board to or for the benefit of the school district from the lease-to-own fund established by section ~~15-2004~~ 41-5703 for payments of amounts payable under the local lease-to-own agreement is a current expense, payable exclusively from appropriated monies, and is not a general obligation indebtedness of this state or the **school facilities** board.

3. If the school district fails to properly budget for payments under the local lease-to-own agreement or if the legislature fails to appropriate monies or the **school facilities** board fails to allocate monies for periodic payment to or for the benefit of the school district for payments under the local lease-to-own agreement, the local lease-to-own agreement terminates at the end of the current term and the school district, the **school facilities** board and this state are relieved of any subsequent obligation under the local lease-to-own agreement.

4. The local lease-to-own agreement shall be reviewed and approved by the attorney general before the agreement may take effect.

5. Before the agreement takes effect and after review by the attorney general, the project or projects related to the agreement shall be submitted for review by the joint committee on capital review.

I. The school district may covenant to use its best efforts to budget, obtain, allocate and maintain sufficient monies to make payments under a local lease-to-own agreement, but the local lease-to-own agreement shall acknowledge that budgeting school district monies is a governmental act of the school district governing board that may not be contracted away. The school facilities **OVERSIGHT** board is not required to covenant to budget, obtain, allocate or maintain sufficient monies in the lease-to-own fund to make payments to or for the benefit of a school district for payments under a local lease-to-own agreement.

J. The land and the school facilities on the land are exempt from taxation during the term of the local lease-to-own agreement and during construction and subsequent occupancy by the school district pursuant to the local lease-to-own agreement.

K. The powers prescribed in this section are in addition to the powers conferred by any other law. Without reference to any other provision of **TITLE 15 OR this title CHAPTER** or to any other law, this section is authority for the completion of the purposes prescribed in this section for school districts to provide school facilities through local lease-to-own transactions pursuant to this section without regard to the procedure required by any other law. Except as otherwise provided in this section, the provisions of **TITLE 15 OR this title CHAPTER** that relate to the matters contained in this section are superseded because this section is the exclusive law on these matters.

L. School districts shall not enter into lease-to-own transactions, including any refinancings or refundings, pursuant to this section from and after May 15, 2006.

Sec. 66. Section 41-5705, Arizona Revised Statutes, as transferred and renumbered, is amended to read: **41-5705. Lease-to-own amount; expiration**

A. In order to fulfill the requirements of section ~~15-2041~~ **41-5741**, the **school-facilities** board may enter into lease-to-own transactions for up to a maximum of ~~two-hundred-million-dollars~~ **\$200,000,000** in any fiscal year.

B. The **school-facilities** board shall not enter into lease-to-own transactions, including any refinancings or refundings, pursuant to this section from and after May 15, 2006.

Sec. 67. Section 41-5711, Arizona Revised Statutes, as transferred and renumbered, is amended to read: **41-5711. Minimum school facility adequacy requirements; definition**

A. The **school-facilities** board, as determined and prescribed in this chapter, shall provide funding to school districts for new construction as the number of pupils in the district fills the existing school facilities and requires more pupil space.

B. School buildings in a school district are adequate if all of the following requirements are met:

1. The buildings contain sufficient and appropriate space and equipment that comply with the minimum school facility adequacy guidelines established pursuant to subsection F of this section. The state shall not fund facilities for elective courses that require the school district facilities to exceed minimum school facility adequacy requirements. The **school-facilities** board shall determine whether a school building meets the requirements of this paragraph by analyzing the total square footage that is available for each pupil in conjunction with the need for specialized spaces and equipment.

2. The buildings are in compliance with federal, state and local building and fire codes and laws that **are applicable APPLY** to the particular building, except that a school with an aggregate area of less than five thousand square feet is subject to permitting and inspection by a local fire marshal and is only subject to regulation or inspection by the office of the state fire marshal if the county, city or town in which the school is located does not employ a local fire marshal. An existing school building is not required to comply with current requirements for new buildings unless this compliance is specifically mandated by law or by the building or fire code of the jurisdiction where the building is located.

3. The building systems, including roofs, plumbing, telephone systems, electrical systems, heating systems and cooling systems, are in working order and are capable of being properly maintained.

4. The buildings are structurally sound.

C. The standards that shall be used by the **school-facilities** board to determine whether a school building meets the minimum adequate gross square footage requirements are as follows:

1. For a school district that provides instruction to pupils in programs for preschool children with disabilities, kindergarten programs and grades one through six, eighty square feet per pupil in programs for preschool children with disabilities, kindergarten programs and grades one through six.

2. For a school district that provides instruction to up to eight hundred pupils in grades seven and eight, eighty-four square feet per pupil in grades seven and eight.

3. For a school district that provides instruction to more than eight hundred pupils in grades seven and eight, eighty square feet per pupil in grades seven and eight or sixty-seven thousand two hundred square feet, whichever is more.

4. For a school district that provides instruction to up to four hundred pupils in grades nine through twelve, one hundred twenty-five square feet per pupil in grades nine through twelve.

5. For a school district that provides instruction to more than four hundred and up to one thousand pupils in grades nine through twelve, one hundred twenty square feet per pupil in grades nine through twelve or fifty thousand square feet, whichever is more.

6. For a school district that provides instruction to more than one thousand and up to one thousand eight hundred pupils in grades nine through twelve, one hundred twelve square feet per pupil in grades nine through twelve or one hundred twenty thousand square feet, whichever is more.

7. For a school district that provides instruction to more than one thousand eight hundred pupils in grades nine through twelve, ninety-four square feet per pupil in grades nine through twelve or two hundred one thousand six hundred square feet, whichever is more.

D. The **school facilities** board may modify the square footage requirements prescribed in subsection C of this section or modify the amount of monies awarded to cure the square footage deficiency pursuant to this section for particular school districts based on extraordinary circumstances for any of the following considerations:

1. The number of pupils served by the school district.
2. Geographic factors.
3. Grade configurations other than those prescribed in subsection C of this section.

E. In measuring the square footage per pupil requirements of subsection C of this section, the **school facilities** board shall:

1. Use the projected one hundredth day average daily membership for the current school year.
2. For each school, use the lesser of either:
 - (a) Total gross square footage.
 - (b) Student capacity multiplied by the appropriate square footage per pupil prescribed by subsection C of this section.
3. Consider the total space available in all schools in use in the school district, except that the **school facilities** board shall allow an exclusion of the square footage for certain schools and the pupils within the schools' boundaries if the school district demonstrates to the board's satisfaction unusual or excessive busing of pupils or unusual attendance boundary changes between schools.
4. Compute the gross square footage of all buildings by measuring from exterior wall to exterior wall. Square footage used solely for district administration, storage of vehicles and other nonacademic purposes shall be excluded from the net square footage.
5. Include all portable and modular buildings.
6. Include in the net square footage new construction funded wholly or partially by the **school facilities** board based on the square footage funded by the **school facilities** board. If the new construction is to exceed the square footage funded by the **school facilities** board, the excess square footage shall not be included in the net square footage if any of the following applies:
 - (a) The excess square footage was constructed before July 1, 2002 or funded by a class B bond, impact aid revenue bond or capital outlay override approved by the voters after August 1, 1998 and before June 30, 2002 or funded from unrestricted capital outlay expended before June 30, 2002.
 - (b) The excess square footage of new school facilities does not exceed twenty-five percent of the minimum square footage requirements pursuant to subsection C of this section.
 - (c) The excess square footage of expansions to school facilities does not exceed twenty-five percent of the minimum square footage requirements pursuant to subsection C of this section.
7. Exclude square footage built under a developer agreement according to section 15-342, paragraph 33 until the **school facilities** board provides funding for the square footage under section ~~15-2041~~ 41-5741, subsection O.
8. Include square footage that a school district has leased to another entity.

F. The **school facilities** board shall adopt rules establishing minimum school facility adequacy guidelines. The guidelines shall provide the minimum quality and quantity of school buildings and facilities and equipment necessary and appropriate to enable pupils to achieve the academic standards pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01. At a minimum, the **school facilities** board shall address all of the following in developing these guidelines:

1. School sites.
2. Classrooms.
3. Libraries and media centers, or both.
4. Cafeterias.
5. Auditoriums, multipurpose rooms or other multiuse space.
6. Technology.
7. Transportation.
8. Facilities for science, arts and physical education.
9. Other facilities and equipment that are necessary and appropriate to achieve the academic standards prescribed pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.
10. Appropriate combinations of facilities or uses listed in this section.

G. THE BOARD MAY CONVENE SUBCOMMITTEES AS NEEDED ON SPECIFIC ISSUES, INCLUDING SCHOOL FACILITY SAFETY STANDARDS. NOTWITHSTANDING ANY OTHER LAW, A SCHOOL DISTRICT THAT RECEIVES GRANT MONIES FROM THE BUILDING RENEWAL GRANT FUND ESTABLISHED BY SECTION 41-5731 OR MONIES FROM THE NEW SCHOOL FACILITIES FUND

ESTABLISHED BY SECTION 41-5741 SHALL CONSIDER SCHOOL FACILITY SAFETY STANDARDS WHEN COMPLETING APPROVED PROJECTS OR CONSTRUCTING NEW SCHOOL FACILITIES WITH MONIES RECEIVED FROM THOSE FUNDS.

~~G.~~ **H.** The board shall consider the facilities and equipment of the schools with the highest academic productivity scores, as prescribed in section ~~15-2002~~ **41-5702**, subsection A, paragraph ~~9~~ **6**, subdivision (d), and the highest parent quality ratings in the establishment of the guidelines.

~~H.~~ **I.** The **school-facilities** board may consider appropriate combinations of facilities or uses in **making assessments of ASSESSING** and curing existing deficiencies pursuant to section ~~15-2002~~ **41-5702**, subsection A, paragraph 1 and in certifying plans for new school facilities pursuant to section ~~15-2002~~ **41-5702**, subsection ~~A~~ **C**, paragraph ~~5~~ **2**.

~~I.~~ **J.** If the **school-facilities** board makes any changes to the minimum adequacy requirements prescribed in this section, the board shall provide a fiscal impact statement of the effect of the proposed changes to the joint committee on capital review for review.

~~J.~~ **K.** For the purposes of this section, "student capacity" means the capacity adjusted to include any additions to or deletions of space, including modular or portable buildings at the school. The **school-facilities** board shall determine the student capacity for each school in conjunction with each school district, recognizing each school's allocation of space as of July 1, 1998, to achieve the academic standards prescribed pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.

Sec. 68. Section 41-5721, Arizona Revised Statutes, as transferred and renumbered, is amended to read: **41-5721. Emergency deficiencies correction fund; definition**

A. The emergency deficiencies correction fund is established consisting of monies transferred from the new school facilities fund established by section ~~15-2041~~ **41-5741**. The ~~school-facilities-board~~ **DIVISION** shall administer the emergency deficiencies correction fund and distribute monies in accordance with the rules of the ~~school-facilities-board~~ **DIVISION** to school districts for emergency purposes. The ~~school-facilities-board~~ **DIVISION** shall not transfer monies from the new school facilities fund if the **DIVISION, IN CONJUNCTION WITH THE SCHOOL FACILITIES OVERSIGHT BOARD, DETERMINES THAT THE** transfer will affect, interfere with, disrupt or reduce any capital projects that the **school-facilities** board has approved pursuant to section ~~15-2041~~ **41-5741**. The ~~school-facilities-board~~ **DIVISION** shall transfer to the emergency deficiencies correction fund the amount necessary each fiscal year to fulfill the requirements of this section. Within thirty days after transferring monies to the emergency deficiencies correction fund, the ~~school-facilities-board~~ **DIVISION** shall report to the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting the amount and source of the transfer. Monies in the emergency deficiencies correction fund are continuously appropriated and are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. If the ~~school-facilities-board~~ **DIVISION** determines that there are insufficient monies in the emergency deficiencies correction fund to correct an emergency, the school district may correct the emergency pursuant to section 15-907.

C. If a school district has an emergency, the school district shall apply to the ~~school-facilities-board~~ **DIVISION** for funding for the emergency. The school district's application shall disclose any insurance or building renewal monies available to the school district to pay for the emergency. **BEFORE APPLYING TO THE DIVISION FOR FUNDING FOR THE EMERGENCY, THE SCHOOL DISTRICT GOVERNING BOARD SHALL ISSUE AN EMERGENCY DECLARATION OR RESOLUTION TO BE ELIGIBLE FOR MONIES FROM THE EMERGENCY DEFICIENCIES CORRECTION FUND.**

D. The ~~school-facilities-board~~ **DIVISION** staff shall acknowledge receipt of the school district's application for emergency deficiencies funding in writing within five business days after receiving the application. The ~~school-facilities-board~~ **DIVISION** staff shall include in the written acknowledgement of receipt to the school district any investigative, study or informational requirements from the school district, along with an estimated timeline to complete the requirements, necessary for the ~~school-facilities-board~~ **DIVISION** staff to make a **recommendation for DECISION REGARDING funding to the school-facilities board.**

E. THE BOARD SHALL REVIEW ALL POLICIES AND PROCEDURES THAT THE DIVISION DEVELOPS TO ADMINISTER THIS SECTION.

~~E.~~ **F.** For the purposes of this section, "emergency":

1. Means a serious need for materials, services or construction or expenses ~~in excess of~~ **THAT EXCEEDS** the school district's adopted budget for the current fiscal year **AND** that seriously threatens the functioning of the school district, the preservation or protection of property or public health, welfare or safety.

2. INCLUDES ALL OF THE FOLLOWING:

(a) **A SITUATION THAT THREATENS LIFE SERVICES SUCH AS ADEQUATE WATER SUPPLY, ENERGY AND WASTEWATER.**

(b) **A SITUATION IN WHICH A SCHOOL DISTRICT IS UNDER ORDERS FROM AN AUTHORITY HAVING JURISDICTION FOR AN UNSAFE ENVIRONMENT SUCH AS THE DEPARTMENT OF ENVIRONMENTAL QUALITY, THE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION OR THE STATE FIRE MARSHAL.**

(c) THE SCHOOL DISTRICT RECEIVES A PROFESSIONAL AND CERTIFIED ASSESSMENT SHOWING THAT ONE OR MORE FACILITIES OR SYSTEMS ARE STRUCTURALLY UNSAFE AND DIRECTLY IMPACT THE FUNCTIONS OF THE SCHOOL DISTRICT WITH NO ALTERNATIVE OPTION AVAILABLE.

Sec. 69. Section 41-5731, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5731. Building renewal grant fund; rules; definitions

A. The building renewal grant fund is established consisting of monies appropriated to the fund by the legislature. The ~~school-facilities-board~~ **DIVISION** shall administer the fund and distribute monies to school districts for the purpose of maintaining the adequacy of existing school facilities. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. The ~~school-facilities-board~~ **DIVISION** shall distribute monies from the **BUILDING RENEWAL GRANT** fund based on grant requests from school districts to fund primary building renewal projects. Project requests shall be prioritized by the ~~school-facilities-board~~ **DIVISION**, with priority given to school districts that have provided routine preventive maintenance on the facility. **A SCHOOL DISTRICT MUST SUBMIT A PREVENTIVE MAINTENANCE PLAN TO THE DIVISION TO BE ELIGIBLE TO RECEIVE MONIES FROM THE BUILDING RENEWAL GRANT FUND.** The ~~school-facilities-board~~ **DIVISION** shall approve only projects that will be completed within twelve months, unless similar projects on average take longer to complete. **A GRANT ISSUED UNDER THIS SECTION EXPIRES TWELVE MONTHS AFTER THE GRANT REQUEST IS APPROVED UNLESS THE DIVISION ISSUES AN EXTENSION, EXCEPT THAT IF THE DIVISION APPROVES A PROJECT AND DETERMINES THAT SIMILAR PROJECTS ON AVERAGE TAKE LONGER THAN TWELVE MONTHS TO COMPLETE, THE DIVISION SHALL EXTEND THE GRANT EXPIRATION DATE BASED ON THE AVERAGE AMOUNT OF TIME THAT SIMILAR PROJECTS TAKE TO COMPLETE. THE DIVISION SHALL ESTABLISH A PROCESS BY WHICH A SCHOOL DISTRICT MAY REQUEST AN EXTENSION UNDER THIS SUBSECTION. ON EXPIRATION OF A GRANT, A SCHOOL DISTRICT SHALL RETURN ANY BUILDING RENEWAL GRANT FUND MONIES THAT THE SCHOOL DISTRICT HAS NOT SPENT TO THE DIVISION FOR DEPOSIT IN THE BUILDING RENEWAL GRANT FUND. THE DIVISION MAY SPEND MONIES FROM THE FUND FOR ASSESSMENTS TO DETERMINE WHETHER A GRANT FROM THE FUND IS WARRANTED UNDER THIS SECTION.**

C. School districts that receive monies from the **BUILDING RENEWAL GRANT** fund shall use these monies on projects for buildings or any part of a building in the ~~school-facilities-board's~~ **DIVISION'S** database for any of the following:

1. Major renovations and repairs to a building that is used for student instruction or other academic purposes.

2. Upgrading systems and areas that will maintain or extend the useful life of the building.

3. Infrastructure costs.

D. Monies received from the fund shall not be used for any of the following purposes:

1. New construction.

2. Remodeling interior space for aesthetic or preferential reasons.

3. Exterior beautification.

4. Demolition.

5. Routine preventive maintenance.

6. Any project in a building, or part of a building, that is being leased to another entity.

E. Accommodation schools are not eligible for monies from the building renewal grant fund.

F. If the ~~school-facilities-board~~ **DIVISION** or a court of competent jurisdiction determines that a school district received monies from the building renewal grant fund that must be reimbursed to the ~~school-facilities-board~~ **DIVISION** due to legal action associated with improper construction by a hired contractor, the school district shall reimburse the ~~school-facilities-board~~ **DIVISION** an agreed-on amount for deposit into the building renewal grant fund.

G. The ~~school-facilities-board~~ **DIVISION** shall categorize each project that is eligible for monies from the building renewal grant fund as either critical or noncritical. The ~~board~~ **DIVISION** shall adopt policies and procedures to prioritize critical projects and to designate critical projects as projects that immediately impact student safety or building closures or that result in operational disruptions. Critical projects have priority over any previously approved noncritical projects.

H. If the ~~school-facilities-board~~ **DIVISION** determines that sufficient monies are not available for a noncritical project that the ~~board~~ **DIVISION** has approved, the ~~board~~ **DIVISION** shall notify the school district that submitted the project request that monies will be distributed from the building renewal grant fund for the project only if the legislature appropriates sufficient monies. If sufficient monies are not available in the fiscal year in which the project is awarded for a noncritical project, the noncritical project does not receive priority in the next fiscal year.

I. Building renewal grants pursuant to this section shall be used only for projects that serve an academic purpose.

J. THE DIVISION SHALL DO BOTH OF THE FOLLOWING:

1. IMPLEMENT POLICIES AND PROCEDURES TO REQUIRE A SCHOOL DISTRICT TO REPORT THE PREVENTIVE MAINTENANCE ACTIVITIES COMPLETED DURING THE PREVIOUS TWELVE MONTHS FOR THE FACILITY FOR WHICH THE MONIES ARE BEING REQUESTED.

2. SUBMIT A MONTHLY REPORT TO THE SCHOOL FACILITIES OVERSIGHT BOARD THAT DETAILS HOW MONIES FROM THE BUILDING RENEWAL GRANT FUND HAVE BEEN DISTRIBUTED.

K. IN ADDITION TO ESTABLISHING A PROJECT ELIGIBILITY ASSESSMENT UNDER SECTION 41-5702, SUBSECTION A, PARAGRAPH 5, SUBDIVISION (b), THE DIVISION SHALL ADOPT RULES REGARDING BOTH OF THE FOLLOWING:

1. THE APPROVAL OF BUILDING RENEWAL GRANTS PURSUANT TO THIS SECTION.

2. TIME FRAMES FOR THE DIVISION REGARDING ALL OF THE FOLLOWING WITH RESPECT TO THIS SECTION:

(a) APPROVING OR DENYING GRANT REQUESTS FOR CRITICAL PROJECTS.

(b) NOTIFYING AN APPLICANT IF THE APPLICANT'S APPLICATION IS INCOMPLETE.

(c) PROVIDING REGULAR UPDATES TO APPLICANTS REGARDING COMPLETED APPLICATIONS.

(d) DISTRIBUTING MONIES FROM THE BUILDING RENEWAL GRANT FUND.

L. THE BOARD SHALL REVIEW ALL POLICIES AND PROCEDURES THAT THE DIVISION DEVELOPS TO ADMINISTER THIS SECTION.

M. THE DIVISION MAY SPEND MONIES FROM THE FUND FOR ASSESSMENTS TO DETERMINE IF A GRANT FROM THE FUND IS WARRANTED UNDER THIS SECTION.

~~J. N.~~ For the purposes of this section:

1. "Primary building renewal projects" means projects that are necessary for buildings owned by school districts that are required to meet the minimum adequacy standards for student capacity and that fall below the minimum school facility adequacy guidelines, as adopted by the ~~school facilities~~ board pursuant to section ~~15-2011~~ 41-5711, for school districts that have provided routine preventive maintenance to the school facility.

2. "Routine preventive maintenance" means services that are performed on a regular schedule at intervals ranging from four times a year to once every three years, or on the schedule of services recommended by the manufacturer of the specific building system or equipment, and that are intended to extend the useful life of a building system and reduce the need for major repairs.

3. "Student capacity" has the same meaning prescribed in section ~~15-2011~~ 41-5711.

Sec. 70. Section 41-5741, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5741. New school facilities fund; capital plan; reporting requirements

A. The new school facilities fund is established consisting of monies appropriated by the legislature and monies credited to the **NEW SCHOOL FACILITIES** fund pursuant to section 37-221. The ~~school facilities board~~ **DIVISION** shall administer the **NEW SCHOOL FACILITIES** fund and, **AT THE DIRECTION OF THE SCHOOL FACILITIES OVERSIGHT BOARD, SHALL** distribute monies, as a continuing appropriation, to school districts for the purpose of constructing new school facilities and for contracted expenses pursuant to section ~~15-2002~~ 41-5702, subsection B, paragraphs 2, 3 and 4. ~~On June 30 of each fiscal year, any unobligated contract monies in the new school facilities fund shall be transferred to the capital reserve fund established by section 15-2003.~~

B. The school facilities **OVERSIGHT** board shall prescribe a uniform format for use by the school district governing board in developing and annually updating a capital plan that consists of each of the following:

1. Enrollment projections for the next five years for elementary schools and eight years for middle and high schools, including a description of the methods used to make the projections.

2. A description of new schools or additions to existing schools needed to meet the building adequacy standards prescribed in section ~~15-2011~~ 41-5711. The description shall include:

(a) The grade levels and the total number of pupils that the school or addition is intended to serve.

(b) The year in which it is necessary for the school or addition to begin operations.

(c) A timeline that shows the planning and construction process for the school or addition.

3. Long-term projections of the need for land for new schools.

4. Any other necessary information required by the school facilities **OVERSIGHT** board to evaluate a school district's capital plan.

5. If a school district pays tuition for all or a portion of the school district's high school pupils to another school district, the capital plan shall indicate the number of pupils for which the district pays tuition to another district. If a school district accepts pupils from another school district pursuant to section 15-824, subsection A, the school district shall indicate the projections for this population separately. This paragraph does not apply to a small isolated school district as defined in section 15-901.

C. If the capital plan indicates a need for a new school or an addition to an existing school within the next four years or a need for land within the next ten years, the school district shall submit its plan to the school facilities **OVERSIGHT** board on or before September 1 and shall request monies from the new school facilities fund for the new construction or land. The ~~school facilities~~ board may require a school district to sell land that was previously purchased entirely with monies provided by the ~~school facilities~~ board if the ~~school facilities~~ board determines that the property is no longer needed within the ten-year period specified in this subsection for a new

school or no longer needed within that ten-year period for an addition to an existing school. Monies provided for land are in addition to any monies provided pursuant to subsection D of this section.

D. **AT THE DIRECTION OF** the **school-facilities** board, **THE DIVISION** shall distribute monies from the new school facilities fund for additional square footage as follows:

1. The **school-facilities** board shall review and evaluate the enrollment projections. On or before December 15 of each year, following the submission of the enrollment projections, the **school-facilities** board shall either approve the projections as submitted or revise the projections. In approving or revising the enrollment projections, the **school-facilities** board shall use the average daily membership data available during the current school year. On request from the **school-facilities** board, the department of education shall make available the most recent average daily membership data for use in revising the enrollment projections. In determining new construction requirements, the **school-facilities** board shall determine the net new growth of pupils that will require additional square footage that exceeds the building adequacy standards prescribed in section ~~15-2011~~ **41-5711**. If the projected growth and the existing number of pupils exceed three hundred fifty pupils who are served in a school district other than the pupil's resident school district, the **school-facilities** board, the receiving school district and the resident school district shall develop a capital facilities plan on how to best serve those pupils. A small isolated school district as defined in section 15-901 is not required to develop a capital facilities plan pursuant to this paragraph.

2. If the average daily membership projections indicate that additional space will not be needed within the next two school years in order to meet the building adequacy standards prescribed in section ~~15-2011~~ **41-5711**, the request shall be held for consideration by the **school-facilities** board for possible future funding and the school district shall annually submit an updated plan until the additional space is needed.

3. If the average daily membership projections indicate that additional space will be needed within the next two school years in order to meet the building adequacy standards prescribed in section ~~15-2011~~ **41-5711**, the **school-facilities** board shall provide an amount as follows:

(a) Determine the number of pupils requiring additional square footage to meet building adequacy standards. This amount for elementary schools shall not be less than the number of new pupils for whom space will be needed in the next year and shall not exceed the number of new pupils for whom space will be needed in the next five years. This amount for middle and high schools shall not be less than the number of new pupils for whom space will be needed in the next four years and shall not exceed the number of new pupils for whom space will be needed in the next eight years.

(b) Multiply the number of pupils determined in subdivision (a) of this paragraph by the square footage per pupil. The square footage per pupil is ninety square feet per pupil for preschool children with disabilities, kindergarten programs and grades one through six, one hundred square feet for grades seven and eight, one hundred thirty-four square feet for a school district that provides instruction in grades nine through twelve for fewer than one thousand eight hundred pupils and one hundred twenty-five square feet for a school district that provides instruction in grades nine through twelve for at least one thousand eight hundred pupils. The total number of pupils in grades nine through twelve in the district shall determine the square footage factor to use for net new pupils. The **school-facilities** board may modify the square footage requirements prescribed in this subdivision for particular schools based on any of the following factors:

- (i) The number of pupils served or projected to be served by the school district.
- (ii) Geographic factors.
- (iii) Grade configurations other than those prescribed in this subdivision.
- (iv) Compliance with minimum school facility adequacy requirements established pursuant to section ~~15-2011~~ **41-5711**.

(c) Multiply the product obtained in subdivision (b) of this paragraph by the cost per square foot. The cost per square foot is ~~\$90~~ **\$270.24** for preschool children with disabilities, kindergarten programs and grades one through six, ~~\$95~~ **\$285.30** for grades seven and eight and ~~\$110~~ **\$330.30** for grades nine through twelve. The cost per square foot shall be adjusted annually for construction market considerations based on an index identified or developed by the joint legislative budget committee as necessary but not less than once each year. **EACH ANNUAL CONSTRUCTION MARKET ADJUSTMENT APPLIES TO ALL PROJECTS APPROVED BY THE SCHOOL FACILITIES BOARD UNDER THIS SUBSECTION DURING THAT YEAR.** The **school-facilities** board shall multiply the cost per square foot by 1.05 for any school district located in a rural area. The **school-facilities** board may only modify the base cost per square foot prescribed in this subdivision for particular schools based on geographic conditions or site conditions. **ANY EXTRA MONIES RECEIVED AS A RESULT OF A MODIFICATION BASED ON GEOGRAPHIC CONDITIONS OR SITE CONDITIONS MAY BE USED TO ADDRESS UNFORESEEN COSTS AT ANY STAGE OF A PROJECT UNDER THIS SECTION.** For the purposes of this subdivision, "rural area" means an area outside a thirty-five-mile radius of a boundary of a municipality with a population of more than fifty thousand persons.

(d) Once the school district governing board obtains approval from the **school-facilities** board for new facility construction monies, additional portable or modular square footage created for the express purpose of providing temporary space for pupils until the completion of the new facility and any additional space funded by the school district shall not be included by the **school-facilities** board for the purpose of new construction funding calculations. On completion of the new facility construction project, any additional space funded by the school

district shall be included as prescribed by this chapter and, if the portable or modular facilities continue in use, the portable or modular facilities shall be included as prescribed by this chapter, unless the **school facilities** board approves their continued use for the purpose of providing temporary space for pupils until the completion of the next new facility that has been approved for funding from the new school facilities fund.

4. For projects approved after December 31, 2001, and notwithstanding paragraph 3 of this subsection, a unified school district that does not have a high school is not eligible to receive high school space as prescribed by section ~~15-2011~~ 41-5711 and this section unless the unified district qualifies for geographic factors prescribed by paragraph 3, subdivision (b), item (ii) of this subsection.

5. If a career technical education district leases a building from a school district, that building shall be included in the school district's square footage calculation for the purposes of new construction pursuant to this section.

6. If a school district leases a building to another entity, that building shall be included in the school district's square footage calculation for purposes of new construction pursuant to this section.

7. A school district shall qualify for monies from the new school facilities fund for additional square footage in a fiscal year only if the **school facilities** board has approved or revised its enrollment projection under paragraph 1 of this subsection on or before December 15 of the prior fiscal year.

E. Monies for architectural and engineering fees, project management services and preconstruction services shall be distributed on the completion of the analysis by the **school facilities** board of the school district's request. After receiving monies pursuant to this subsection, the school district shall submit a design development plan for the school or addition to the **school facilities** board before any monies for construction are distributed. If the school district's request meets the building adequacy standards, the **school facilities** board may review and comment on the district's plan with respect to the efficiency and effectiveness of the plan in meeting state square footage and facility standards before ~~distributing~~ **DIRECTING THE DISTRIBUTION OF** the remainder of the monies. If the **school facilities** board modifies the cost per square foot as prescribed in subsection D, paragraph 3, subdivision (c) of this section, the **school facilities** board may deduct the cost of project management services and preconstruction services from the required cost per square foot. The **school facilities** board may decline to fund the project if the square footage is no longer required due to revised enrollment projections. The **school facilities** board may decline a portion of the funding if a portion of the square footage is no longer needed due to revised enrollment projections.

F. **AT THE DIRECTION OF** the **school facilities** board, **THE DIVISION** shall distribute the monies needed for land for new schools so that land may be purchased at a price that is less than or equal to fair market value and in advance of the construction of the new school. If necessary, the **school facilities** board may **DIRECT THE DIVISION TO** distribute monies for land to be leased for new schools if the duration of the lease exceeds the life expectancy of the school facility by at least fifty percent. A school district shall not use land purchased or partially purchased with monies provided **by AT THE DIRECTION OF** the **school facilities** board for a purpose other than a site for a school facility without obtaining prior written approval from the **school facilities** board. A school district shall not lease, sell or take any action that would diminish the value of land purchased or partially purchased with monies provided **by AT THE DIRECTION OF** the **school facilities** board without obtaining prior written approval from the **school facilities** board. The proceeds derived through the sale of any land purchased or partially purchased, or the sale of buildings funded or partially funded, with monies provided **by AT THE DIRECTION OF** the **school facilities** board shall be returned to the state fund from which it was appropriated and to any other participating entity on a proportional basis. Except as provided in section 15-342, paragraph 33, if a school district acquires real property by donation at an appropriate school site approved by the **school facilities** board, the **school facilities** board shall **DIRECT THE DIVISION TO** distribute an amount equal to twenty percent of the fair market value of the donated real property that can be used for academic purposes. The school district shall place the monies in the unrestricted capital outlay fund and increase the unrestricted capital budget limit by the amount of monies placed in the fund. Monies distributed under this subsection shall be distributed from the new school facilities fund. A school district that receives monies from the new school facilities fund for a donation of land pursuant to section 15-342, paragraph 33 shall not receive monies from the **school facilities** board **OR THE DIVISION** for the donation of real property pursuant to this subsection. A school district shall not pay a consultant a percentage of the value of any of the following:

1. Donations of real property, services or cash from any of the following:
 - (a) Entities that have offered to provide construction services to the school district.
 - (b) Entities that have been contracted to provide construction services to the school district.
 - (c) Entities that build residential units in that school district.
 - (d) Entities that develop land for residential use in that school district.

2. Monies received ~~from the school facilities board~~ **UNDER THIS CHAPTER** on behalf of the school district.

3. Monies paid by **OR AT THE DIRECTION OF** the **school facilities** board on behalf of the school district.

G. In addition to distributions to school districts based on pupil growth projections, a school district may submit an application to the **school facilities** board for monies from the new school facilities fund if one or more school buildings have outlived their useful life **OR HAVE BEEN CONDEMNED**. If the **school facilities** board

determines that the school district needs to build a new school building for these reasons, the **school facilities** board shall remove the square footage computations that represent the building from the computation of the school district's total square footage for purposes of this section. If the square footage recomputation reflects that the school district no longer meets building adequacy standards, the school district qualifies for a distribution of monies from the new school construction formula in an amount determined pursuant to subsection D of this section. The **school facilities** board may only modify the base cost per square foot prescribed in this subsection under extraordinary circumstances for geographic factors or site conditions.

H. School districts that receive monies from the new school facilities fund shall establish a district new school facilities fund and shall use the monies in the district new school facilities fund only for the purposes prescribed in this section. By October 15 of each year, each school district shall report to the **school facilities** board the projects funded at each school in the previous fiscal year with monies from the district new school facilities fund and shall provide an accounting of the monies remaining in the new school facilities fund at the end of the previous fiscal year.

I. If a school district has surplus monies received from the new school facilities fund, the school district may use the surplus monies only for capital purposes for the project for up to one year after completion of the project. If the school district possesses surplus monies from the new school construction project that have not been expended within one year of the completion of the project, the school district shall return the surplus monies to the **school facilities board DIVISION** for deposit in the new school facilities fund.

J. The board's consideration of any application filed after December 31 of the year in which the property becomes territory in the vicinity of a military airport or ancillary military facility as defined in section 28-8461 for monies to fund the construction of new school facilities proposed to be located in territory in the vicinity of a military airport or ancillary military facility shall include, if after notice is transmitted to the military airport pursuant to section ~~15-2002~~ 41-5702 and before the public hearing the military airport provides comments and an analysis concerning compatibility of the proposed school facilities with the high noise or accident potential generated by military airport or ancillary military facility operations that may have an adverse effect on public health and safety, consideration and an analysis of the comments and an analysis provided by the military airport before making a final determination.

K. If a school district uses its own project manager for new school construction, the members of the school district governing board and the project manager shall sign an affidavit stating that the members and the project manager understand and will follow the minimum adequacy requirements prescribed in section ~~15-2011~~ 41-5711.

L. The **school facilities board DIVISION** shall establish a separate account in the new school facilities fund designated as the litigation account to pay attorney fees, expert witness fees and other costs associated with litigation in which the **school facilities** board pursues the recovery of damages for deficiencies correction that resulted from alleged construction defects or design defects that the **school facilities** board believes caused or contributed to a failure of the school building to conform to the building adequacy requirements prescribed in section ~~15-2011~~ 41-5711. Attorney fees paid pursuant to this subsection shall not exceed the market rate for similar types of litigation. On or before December 1 of each year, the **school facilities** board shall report to the joint committee on capital review the costs associated with current and potential litigation that may be paid from the litigation account.

M. Until the state board of education and the auditor general adopt rules pursuant to section 15-213, subsection J, the **school facilities** board may allow school districts to contract for construction services and materials through the qualified select bidders list method of project delivery for new school facilities pursuant to this section.

N. The **school facilities** board shall submit electronically a report on project management services and preconstruction services to the governor, the president of the senate and the speaker of the house of representatives by December 31 of each year. The report shall compare projects that use project management and preconstruction services with those that do not. The report shall address cost, schedule and other measurable components of a construction project. School districts, construction-manager-at-risk firms and project management firms that participate in a ~~school facilities board funded~~ **BOARD-FUNDED** project shall provide the information required by the **school facilities** board in relation to this report.

O. If a school district constructs new square footage according to section 15-342, paragraph 33, the **school facilities** board shall review the design plans and location of any new school facility submitted by school districts and another party to determine whether the design plans comply with the adequacy standards prescribed in section ~~15-2011~~ 41-5711 and the square footage per pupil requirements pursuant to subsection D, paragraph 3, subdivision (b) of this section. When the school district qualifies for a distribution of monies from the new school facilities fund according to this section, the **school facilities** board shall **DIRECT THE DIVISION TO** distribute monies to the school district from the new school facilities fund for the square footage constructed under section 15-342, paragraph 33 at the same cost per square foot established by this section that was in effect at the time of the beginning of the construction of the school facility. Before the **school facilities** board ~~distributes~~ **DIRECTS THE DIVISION TO DISTRIBUTE** any monies pursuant to this subsection, the school district shall demonstrate to the **school facilities** board that the facilities to be funded pursuant to this section meet the minimum adequacy standards prescribed in section ~~15-2011~~ 41-5711. The agreement entered into pursuant to

section 15-342, paragraph 33 shall set forth the procedures for the allocation of these funds to the parties that participated in the agreement.

P. Accommodation schools are not eligible for monies from the new school facilities fund.

Q. If the **school facilities** board approves a school district for funding from the new school facilities fund and the full legislative appropriation is not available to the school district in the fiscal year following the approval by the **school facilities** board, the school district may use any legally available monies to pay for the land or the new construction project approved by the **school facilities** board and may reimburse the fund from which the monies were used in subsequent years with legislative appropriations when those appropriations are made available by this state.

Sec. 71. Section 41-5751, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5751. Authorization of state school facilities revenue bonds

A. The **school facilities** board may issue negotiable revenue bonds pursuant to this article. If authorized by the legislature, bonds may be issued under this article in a principal amount not exceeding **two hundred million dollars \$200,000,000** in a fiscal year to:

1. Provide monies to pay the cost of:

(a) Acquiring real property and constructing new school facilities as provided by section ~~15-2041~~ **41-5741**.

(b) Bond related expenses including any expenses incurred by the **school facilities** board to issue and administer its bonds including underwriting fees and costs, trustee fees, financial consultant fees, printing and advertising costs, paying agent fees, transfer agent fees, legal, accounting, feasibility consultant and other professional fees and expenses, bond insurance or other credit enhancements or liquidity facilities, attorney and accounting fees and expenses related to credit enhancement, bond insurance or liquidity enhancement, remarketing fees, rating agency fees and costs, travel and telephone expenses and all other fees considered necessary by the **school facilities** board in order to market and administer the bonds.

2. Fully or partially fund any reserves or sinking accounts established by the bond resolution.

B. The **school facilities** board shall authorize the bonds by resolution. The resolution shall prescribe:

1. The fixed or variable rate or rates of interest, the date or dates on which interest is payable and the denominations of the bonds.

2. The date or dates of the bonds and maturity, within ten years after the date of issuance.

3. The form of the bonds.

4. The manner of executing the bonds.

5. The medium and place of payment.

6. The terms of redemption, which may provide for a premium for early redemption.

C. The bonds issued pursuant to this article shall be known as state school facilities revenue bonds.

Sec. 72. Section 41-5752, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5752. Issuance and sale of revenue bonds

A. The **school facilities** board shall issue the bonds in the number and amount provided in the resolution.

B. The bonds shall be sold at public or private sale at the price and on the terms prescribed in the resolution at, above or below par.

C. The net proceeds of the sale of the bonds shall be deposited in the revenue bond proceeds fund established pursuant to section ~~15-2053~~ **41-5753**.

Sec. 73. Section 41-5753, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5753. School facilities revenue bond proceeds fund; use for new school facilities

A. If the **school facilities** board issues revenue bonds under this article, the board shall establish a school facilities revenue bond proceeds fund consisting of the net proceeds received from the sale of the bonds.

B. The **school facilities** board may use monies in the school facilities revenue bond proceeds fund only for the purposes provided in section ~~15-2051~~ **41-5751**, subsection A. Monies in the revenue bond proceeds fund are exempt from lapsing under section 35-190.

C. The state treasurer or bond trustee shall administer and account for the school facilities revenue bond proceeds fund.

Sec. 74. Section 41-5754, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5754. School facilities revenue bond debt service fund

A. The **school facilities** board shall establish a school facilities revenue bond debt service fund consisting of monies transferred to the fund pursuant to sections 37-521 and 42-5030.01.

B. Monies in the school facilities revenue bond debt service fund may be used only for the purposes authorized by this article.

C. The state treasurer or bond trustee shall administer and account for the school facilities revenue bond debt service fund.

Sec. 75. Section 41-5755, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5755. Securing principal and interest

A. In connection with issuing bonds authorized by this article and to secure the principal and interest on the bonds, the **school facilities** board by resolution may:

1. Segregate the school facilities revenue bond debt service fund into one or more accounts and subaccounts and provide that bonds issued under this article may be secured by a lien on all or part of the monies paid into the school facilities revenue bond debt service fund or into any account or subaccount in the fund.

2. Provide that the bonds issued under this article are secured by a first lien on the monies paid into the school facilities revenue bond debt service fund as provided by section 37-521, subsection B, paragraph 1 and section 42-5030.01, and pledge and assign to or in trust for the benefit of the holder or holders of the bonds all or part of the monies in the school facilities revenue bond debt service fund, any account or subaccount in the fund or in the school facilities revenue bond proceeds fund as is necessary to secure and pay the principal, the interest and any premium on the bonds as they come due.

3. Establish priorities among bondholders based on criteria adopted by the board.

4. Set aside, regulate and dispose of reserves and sinking accounts.

5. Prescribe the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent to and the manner in which the consent may be given.

6. Provide for payment of bond related expenses from the proceeds of the sale of the bonds or other revenues authorized by this article and available to the board.

7. Provide for the services of trustees, cotrustees, agents and consultants and other specialized services with respect to the bonds.

8. Take any other action that in any way may affect the security and protection of the bonds or interest on the bonds.

9. Refund any bonds issued by the board, if these bonds are secured from the same source of revenues as the bonds authorized by this article, by issuing new bonds.

10. Issue bonds partly to refund outstanding bonds and partly for any other purpose consistent with this article.

B. Bonds issued to refund any bonds issued by the board as provided by subsection A, paragraphs 9 and 10 of this section are not subject to legislative authorization or the ~~two hundred million dollar limitation~~ **\$200,000,000 LIMIT** prescribed by section ~~15-2051~~ **41-5751**, subsection A.

Sec. 76. Section 41-5757, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5757. Bond purchase; cancellation

The ~~school facilities~~ board may purchase bonds for cancellation out of any monies available for the purchase, at a price of not more than either of the following:

1. If the bonds are redeemable at the time of the purchase, the applicable redemption price plus accrued interest to the next interest payment date on the bonds.

2. If the bonds are not redeemable at the time of the purchase, the applicable redemption price on the first date after the purchase on which the bonds become subject to redemption plus accrued interest to that date.

Sec. 77. Section 41-5758, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5758. Payment of revenue bonds

A. The revenue bonds shall be paid solely from monies from the school facilities revenue bond debt service fund established by section ~~15-2054~~ **41-5754** and other monies that are credited to the school facilities revenue bond debt service fund.

B. The state treasurer or the paying agent for the revenue bonds shall cancel all revenue bonds when paid.

Sec. 78. Section 41-5759, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5759. Investment of monies in school facilities revenue bond proceeds fund

A. As provided by section ~~15-2062~~ **41-5761**, the ~~school facilities~~ board may authorize the state treasurer or bond trustee to invest monies in the school facilities revenue bond proceeds fund established by section ~~15-2053~~ **41-5753**.

B. The order directing an investment shall state a specified time when the proceeds from the sale of the bonds will be used. The state treasurer or bond trustee shall make the investment in such a way as to mature at the specified date.

C. All monies earned as interest or otherwise derived from the investment of the monies in the school facilities revenue bond proceeds fund shall be credited to the school facilities revenue bond debt service fund established by section ~~15-2054~~ **41-5754**.

Sec. 79. Section 41-5760, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5760. Investment of monies in school facilities revenue bond debt service fund

A. The ~~school facilities~~ board may authorize the state treasurer or bond trustee to invest and reinvest any monies in the school facilities revenue bond debt service fund as provided by section ~~15-2062~~ **41-5761**.

B. All monies earned as interest or otherwise derived from the investment of the monies in the school facilities revenue bond debt service fund shall be credited to that fund.

Sec. 80. Section 41-5761, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5761. Authorized investments of fund monies

A. On notice from the ~~school facilities~~ board, the state treasurer or bond trustee shall invest and divest monies in either the school facilities revenue bond proceeds fund or the school facilities revenue debt service fund

in any of the following:

1. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
2. State, county or municipal bonds issued in this state on which the payments of interest have not been deferred.
3. Investment agreements and repurchase agreements collateralized by investments described in paragraph 1 **OF THIS SUBSECTION**.

B. The purchase of the securities shall be made by the state treasurer or bond trustee on authority of a resolution of the board. The treasurer or bond trustee shall act as custodian of all securities purchased. The securities may be sold on an order of the board.

Sec. 81. Section 41-5763, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5763. Effect of changing circumstances on bonds; agreement of state

A. Bonds issued under this article remain valid and binding obligations of the board notwithstanding that, before the delivery of the bonds, any of the persons whose signatures appear on the bonds cease to be members of the **school facilities** board.

B. An amendment of any provision of this article does not diminish or impair the validity of bonds issued under this article or the remedies and rights of bondholders.

C. This state pledges to and agrees with the holders of the bonds authorized by this article that this state will not limit, alter or impair the rights and remedies of the bondholders, until all bonds issued under this article, together with interest on the bonds, interest on any unpaid installments of principal or interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged. The board, as agent for this state, may include this pledge and undertaking in its resolutions and indentures authorizing and securing the bonds.

Sec. 82. Section 41-5764, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5764. Validity of bonds; certification by attorney general

A. This article constitutes full authority for authorizing and issuing bonds without reference to any other law of this state. No other law with regard to authorizing or issuing obligations or that in any way impedes or restricts performing the acts authorized by this article may be construed to apply to any proceedings taken or acts done pursuant to this article.

B. The validity of bonds issued under this article does not depend on and is not affected by the legality of any proceeding relating to any action by the **school facilities** board in granting or lending monies or the acquisition, construction or improvement of any facility paid with monies provided by the board.

C. The **school facilities** board may submit to the attorney general revenue bonds to be issued under this article after all proceedings for authorizing the bonds have been completed. Within fifteen days after submission, the attorney general shall examine the bonds and pass on the validity of the bonds and the regularity of the proceedings. If the bonds and proceedings comply with the Constitution of Arizona and this article, and if the bonds when delivered and paid for will constitute binding and legal obligations of the board, the attorney general shall certify in substance that the bonds are issued according to the constitution and laws of this state. The certificate shall also state that the bonds are also validly secured by the obligation to transfer monies from designated sources of revenue, including income on the permanent state school fund established by section 37-521, to cover any insufficiencies.

D. The bonds shall recite that they are regularly issued pursuant to this article. That recital, together with the certification by the attorney general under subsection C of this section, constitutes prima facie evidence of the legality and validity of the bonds. From and after the sale and delivery of the bonds, they are incontestable by the **school facilities** board or this state.

Sec. 83. Section 41-5781, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5781. Authorization of state school improvement revenue bonds; expiration

A. The **school facilities** board may issue revenue bonds in a principal amount not to exceed **eight hundred million dollars \$800,000,000** pursuant to this article. The **school facilities** board may also issue qualified zone academy bonds within the meaning of section 1397e of the United States internal revenue code of 1986 or successor provisions pursuant to this article in a principal amount not to exceed **twenty million dollars \$20,000,000**. The qualified zone academy bonds shall be separately accounted for within the school improvement revenue bond proceeds fund established by section ~~15-2083~~ **41-5783**. All bonds authorized by this section may be issued for the following purposes:

1. To provide monies to pay the cost of:-

~~(a) Correcting existing deficiencies as prescribed by section 15-2021.~~

~~(b) Bond-related~~ **BOND-RELATED** expenses, including any expenses incurred by the **school facilities** board to issue and administer its bonds, including underwriting fees and costs, trustee fees, financial consultant fees, printing and advertising costs, paying agent fees, transfer agent fees, legal, accounting, feasibility consultant and other professional fees and expenses, bond insurance or other credit enhancements or liquidity facilities, attorney and accounting fees and expenses related to credit enhancement, bond insurance or liquidity enhancement, remarketing fees, rating agency fees and costs, travel and telephone expenses and all other fees considered necessary by the **school facilities** board in order to market and administer the bonds.

2. To fully or partially fund any reserves or sinking accounts established by the bond resolution.

B. The **school facilities** board shall authorize the bonds by resolution. The resolution shall prescribe:

1. The fixed or variable rate or rates of interest, the date or dates on which interest is payable and the denominations of the bonds.

2. The date or dates of the bonds and maturity, within twenty years after the date of issuance.

3. The form of the bonds.

4. The manner of executing the bonds.

5. The medium and place of payment.

6. The terms of redemption, which may provide for a premium for early redemption.

C. The bonds issued pursuant to this article shall be known as state school improvement revenue bonds.

D. The authority of the **school facilities** board to issue school improvement revenue bonds pursuant to this article expires from and after June 30, 2003, except for bonds issued to refund any bonds issued by the board.

Sec. 84. Section 41-5782, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5782. Issuance and sale of school improvement revenue bonds

A. The **school facilities** board shall issue the school improvement revenue bonds in the number and amount provided in the resolution.

B. The bonds shall be sold at public or private sale at the price and on the terms prescribed in the resolution at, above or below par.

C. The net proceeds of the sale of the bonds shall be deposited in the school improvement revenue bond proceeds fund established pursuant to section ~~15-2083~~ **41-5783**.

Sec. 85. Section 41-5783, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5783. School improvement revenue bond proceeds fund; use for school improvements

A. If the **school facilities** board issues revenue bonds under this article, the board shall establish a school improvement revenue bond proceeds fund consisting of the net proceeds received from the sale of the bonds.

B. The **school facilities** board may use monies in the school improvement revenue bond proceeds fund only for the purposes provided in section ~~15-2081~~ **41-5781**, subsection A. Monies in the school improvement revenue bond proceeds fund are exempt from lapsing under section 35-190.

C. The state treasurer or bond trustee shall administer and account for the school improvement revenue bond proceeds fund.

Sec. 86. Section 41-5784, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5784. School improvement revenue bond debt service fund

A. The **school facilities** board shall establish a school improvement revenue bond debt service fund consisting of monies received by the **school facilities** board pursuant to section 42-5029, subsection E, ~~section 42-5029.02, subsection A, paragraph 1~~ and section 37-521, subsection B, paragraph 1. All monies received pursuant to section 42-5029, subsection E ~~and section 42-5029.02, subsection A, paragraph 1~~ shall be accounted for separately and shall be used only for debt service of school improvement revenue bonds. All monies received pursuant to section 37-521, subsection B, paragraph 1 shall be accounted for separately and shall be used only for debt service of qualified zone academy bonds.

B. Monies in the school improvement revenue bond debt service fund may be used only for the purposes authorized by this article.

C. The state treasurer or bond trustee shall administer and account for the school improvement revenue bond debt service fund.

Sec. 87. Section 41-5785, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5785. Securing principal and interest

A. In connection with issuing bonds authorized by this article and to secure the principal and interest on the bonds, the **school facilities** board by resolution may:

1. Segregate the school improvement revenue bond debt service fund into one or more accounts and subaccounts and provide that bonds issued under this article may be secured by a lien on all or part of the monies paid into the revenue bond debt service fund or into any account or subaccount in the fund.

2. Provide that the bonds issued under this article ~~are~~ **BE** secured by a first lien on the monies paid into the school improvement revenue bond debt service fund as provided by section 42-5029, subsection E, paragraph 1 ~~and section 42-5029.02, subsection A, paragraph 1~~ and pledge and assign to or in trust for the benefit of the holder or holders of the bonds all or part of the monies in the school improvement revenue bond debt service fund, in any account or subaccount in the fund or in the school improvement revenue bond proceeds fund as is necessary to secure and pay the principal, the interest and any premium on the bonds as they come due.

3. Establish priorities among bondholders based on criteria adopted by the board.

4. Set aside, regulate and dispose of reserves and sinking accounts.

5. Prescribe the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent to and the manner in which the consent may be given.

6. Provide for payment of **bond-related BOND-RELATED** expenses from the proceeds of the sale of the bonds or other revenues authorized by this article and available to the board.

7. Provide for the services of trustees, cotrustees, agents and consultants and other specialized services with respect to the bonds.

8. Take any other action that in any way may affect the security and protection of the bonds or interest on the bonds.

9. Refund any bonds issued by the board, if these bonds are secured from the same source of revenues as the bonds authorized by this article, by issuing new bonds, whether at or before maturity of the bonds being refunded.

10. Issue bonds partly to refund outstanding bonds and partly for any other purpose consistent with this article.

B. Bonds issued to refund any bonds **THAT ARE** issued by the board as provided by subsection A, paragraphs 9 and 10 of this section are not subject to legislative authorization or subject to the **eight hundred million dollar limitation \$800,000,000 LIMIT** prescribed by section ~~15-2004~~ 41-5781, subsection A.

Sec. 88. Section 41-5787, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

~~41-5787. Bond purchase; cancellation~~

The **school facilities** board may purchase bonds for cancellation out of any monies available for the purchase at a price of not more than either of the following:

1. If the bonds are redeemable at the time of the purchase, the applicable redemption price plus accrued interest to the next interest payment date on the bonds.

2. If the bonds are not redeemable at the time of the purchase, the applicable redemption price on the first date after the purchase on which the bonds become subject to redemption plus accrued interest to that date.

Sec. 89. Section 41-5788, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

~~41-5788. Payment of revenue bonds~~

A. The revenue bonds shall be paid solely from monies from the school improvement revenue bond debt service fund established pursuant to section ~~15-2004~~ 41-5784 and other monies that are credited to the school improvement revenue bond debt service fund.

B. The state treasurer or the paying agent for the revenue bonds shall cancel all revenue bonds when paid.

Sec. 90. Section 41-5789, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

~~41-5789. Investment of monies in school improvement revenue bond proceeds fund~~

A. As provided by section ~~15-2091~~ 41-5791, the **school facilities** board may authorize the state treasurer or bond trustee to invest monies in the school improvement revenue bond proceeds fund established pursuant to section ~~15-2003~~ 41-5783.

B. The order directing an investment shall state a specified time when the proceeds from the sale of the bonds will be used. The state treasurer or bond trustee shall make the investment in such a way as to mature at the specified date.

C. All monies earned as interest or otherwise derived from the investment of the monies in the school improvement revenue bond proceeds fund shall be credited to the school improvement revenue bond debt service fund established by section ~~15-2004~~ 41-5784.

Sec. 91. Section 41-5790, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

~~41-5790. Investment of monies in school improvement revenue bond debt service fund~~

A. The **school facilities** board may authorize the state treasurer or bond trustee to invest and reinvest any monies in the school improvement revenue bond debt service fund as provided by section ~~15-2091~~ 41-5791.

B. All monies earned as interest or otherwise derived from the investment of the monies in the school improvement revenue bond debt service fund shall be credited to that fund.

Sec. 92. Section 41-5791, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

~~41-5791. Authorized investments of fund monies~~

A. On notice from the **school facilities** board, the state treasurer or bond trustee shall invest and divest monies in either the school improvement revenue bond proceeds fund or the school improvement revenue **BOND** debt service fund in any of the following:

1. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.

2. State, county or municipal bonds that are issued in this state and on which the payments of interest have not been deferred.

3. Investment agreements and repurchase agreements collateralized by investments described in paragraph 1 of this subsection.

B. The purchase of the securities shall be made by the state treasurer or bond trustee on authority of a resolution of the board. The treasurer or bond trustee shall act as custodian of all securities purchased. The securities may be sold on an order of the board.

Sec. 93. Section 41-5793, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

~~41-5793. Effect of changing circumstances on bonds; agreement of state~~

A. Bonds issued under this article remain valid and binding obligations of the board notwithstanding that before the delivery of the bonds any of the persons whose signatures appear on the bonds cease to be members of the **school facilities** board.

B. An amendment of any provision of this article does not diminish or impair the validity of bonds issued under this article or the remedies and rights of bondholders.

C. This state pledges to and agrees with the holders of the bonds authorized by this article that this state will not limit, alter or impair the rights and remedies of the bondholders until all bonds issued under this article, together with interest on the bonds, interest on any unpaid installments of principal or interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged. The board, as agent for this state, may include this pledge and undertaking in its resolutions and indentures authorizing and securing the bonds.

Sec. 94. Section 41-5794, Arizona Revised Statutes, as transferred and renumbered, is amended to read:
41-5794. Validity of bonds; certification by attorney general

A. This article constitutes full authority for authorizing and issuing bonds without reference to any other law of this state. No other law with regard to authorizing or issuing obligations or that in any way impedes or restricts performing the acts authorized by this article may be construed to apply to any proceedings taken or acts done pursuant to this article.

B. The validity of bonds issued under this article does not depend on and is not affected by the legality of any proceeding relating to any action by the **school-facilities** board in granting or lending monies or the acquisition, construction or improvement of any facility paid with monies provided by the board.

C. The **school-facilities** board may submit to the attorney general revenue bonds to be issued under this article after all proceedings for authorizing the bonds have been completed. Within fifteen days after submission, the attorney general shall examine the bonds and pass on the validity of the bonds and the regularity of the proceedings. If the bonds and proceedings comply with the Constitution of Arizona and this article, and if the bonds when delivered and paid for will constitute binding and legal obligations of the board, the attorney general shall certify in substance that the bonds are issued according to the constitution and laws of this state.

D. The bonds shall recite that they are regularly issued pursuant to this article. That recital, together with the certification by the attorney general under subsection C of this section, constitutes prima facie evidence of the legality and validity of the bonds. From and after the sale and delivery of the bonds, they are incontestable by the **school-facilities** board or this state.

Sec. 95. Section 41-5805, Arizona Revised Statutes, as transferred and renumbered, is amended to read:
41-5805. Securing principal and interest

To secure the principal and interest on the impact aid revenue bonds, the **SCHOOL DISTRICT** governing board by resolution may:

1. Segregate the impact aid revenue bond debt service fund into one or more accounts and subaccounts and provide that bonds issued under this article may be secured by a lien on all or part of the monies paid into the impact aid revenue bond debt service fund or into any account or subaccount in the fund.

2. Provide that the bonds issued under this article **are BE** secured by a first lien on the monies paid in the impact aid revenue bond debt service fund as provided by section ~~15-2104~~ **41-5804** and pledge and assign to or in trust for the benefit of the holder or holders of the bonds all or part of the monies in the impact aid revenue bond debt service fund or an account or subaccount as is necessary to secure and pay the principal, the interest and any premium on the bonds as they come due.

3. Establish priorities among bondholders based on criteria adopted by the governing board.

4. Set aside, regulate and dispose of reserves and sinking accounts.

5. Prescribe the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent to and the manner in which the consent may be given.

6. Provide for payment of bond related expenses from the proceeds of the sale of the bonds or other revenues authorized by this article available to the school district.

7. Provide for the services of trustees, cotrustees, agents and consultants and other specialized services with respect to the bonds.

8. Take any other action that in any way may affect the security and protection of the bonds or interest on the bonds.

9. Refund any bonds issued by the school district, if these bonds are secured from the same source of revenues as the bonds authorized by this article, by issuing new bonds.

10. Issue bonds partly to refund outstanding bonds and partly for any other purpose consistent with this article.

Sec. 96. Section 41-5810, Arizona Revised Statutes, as transferred and renumbered, is amended to read:
41-5810. Authorized investments of fund monies

A. The monies in either the impact aid revenue bond building fund or debt service fund may be invested and reinvested at the direction of the **SCHOOL DISTRICT** governing board in any of the investments authorized by section ~~15-2062~~ **41-5761**.

B. The purchase of the securities shall be made by the county treasurer or the treasurer's designated agent on authority of a resolution of the governing board. The county treasurer shall act as custodian of all securities purchased. The securities may be sold on an order of the governing board.

Sec. 97. Section 41-5832, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5832. Indoor air quality requirements

A. When the ~~school facilities board~~ **OR THE DIVISION** approves the construction of a school building, the ~~school facilities board~~ **DIVISION** shall conduct an environmental site assessment. The ~~board~~ **DIVISION** shall consider site assessment standards in accordance with the American society for testing and materials standard E1527, standard practice for environmental site assessments: phase I environmental site assessment process.

B. The ~~school facilities board~~ **OR THE DIVISION** shall not approve a school building project if any of the following conditions ~~exist~~ **EXISTS**:

1. The environmental site assessment indicates that the site cannot meet, within reasonable expenditures, the same criteria established for residential properties.

2. The plans incorporate flat roof construction that does not have adequate pitch towards drains in order to prevent pooling of water.

3. The plans do not incorporate indoor air quality guidelines that are acceptable to the ~~board~~ **DIVISION**. The ~~board~~ **DIVISION** shall consider indoor air quality guidelines in accordance with the sheet metal and air conditioning contractors national association's publication entitled "indoor air quality guidelines for occupied buildings under construction".

C. Each school district governing board that installed or renovated its HVAC system on or after ~~the effective date of this article~~ **AUGUST 12, 2005** shall ensure that its HVAC system meets both of the following requirements:

1. Is maintained and operated in a manner consistent with ventilation standards acceptable to the ~~board~~ **DIVISION**. The ~~board~~ **DIVISION** shall consider ventilation standards in accordance with standard 62.

2. Is operated continuously during school activity hours except during scheduled maintenance and emergency repairs and except during periods for which school officials can demonstrate to the governing board's satisfaction that the quantity of outdoor air supplied by an air supply system that is not mechanically driven meets the requirements for air changes per hour acceptable to the board.

D. Each school district governing board that installed or renovated its HVAC system before ~~the effective date of this article~~ **AUGUST 12, 2005** shall ensure that its HVAC system is maintained and operated in accordance with the prevailing maintenance and standards at the time of the installation or renovation of the HVAC system.

Sec. 98. Section 41-5841, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5841. Achievement district school application

A. The credit enhancement eligibility board established by section ~~15-2152~~ **41-5852** shall establish an application process, application forms and selection criteria for a public school or charter school to qualify as an achievement district school for the purposes of article 11 of this chapter.

B. A public school or charter school that meets all of the following criteria is eligible to qualify as an achievement district school:

1. Has been assigned a letter grade of A, or an equivalent successor classification, pursuant to section 15-241.

2. Has proven instructional strategies and curricula that demonstrate high academic outcomes.

3. Has a verifiable enrollment demand, including the placement of prospective pupils on a waiting list.

4. Has a sound financial plan that contemplates operational costs and future enrollment growth.

5. Has shown a commitment to provide technical assistance, including business services, curriculum development and teacher training, to an underperforming school in the state.

6. Meets any other criteria established by the credit enhancement eligibility board.

C. The credit enhancement eligibility board shall meet regularly to evaluate achievement district school applications and shall either approve or deny each application submitted. The board shall report its decision on each application to the public school or charter school within ten business days after the board's decision.

D. If a school's application is approved pursuant to this section, the school qualifies as an achievement district school and is eligible to apply for participation in the Arizona public school credit enhancement program established by section ~~15-2155~~ **41-5855**.

Sec. 99. Section 41-5851, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5851. Definitions

In this article, unless the context otherwise requires:

1. "Achievement district school" means a public school or a charter school that has qualified as an achievement district school pursuant to article 10 of this chapter and that has submitted an application with the board pursuant to this article to obtain guaranteed financing.

2. "Board" means the credit enhancement eligibility board established by section ~~15-2152~~ **41-5852**.

3. "Fund" means the Arizona public school credit enhancement fund established by section ~~15-2154~~ **41-5854**.

4. "Guaranteed financing" means debt obligations that are issued by or on behalf of a public school or a charter school to acquire, construct, renovate, equip, refinance or improve capital facilities and for which the board has approved a guarantee of all or a portion of the principal and interest payments pursuant to the program.

5. "Program" means the Arizona public school credit enhancement program established by section ~~15-2155~~ 41-5855.

6. "Program funding obligations" means program funding obligations approved and issued by the board pursuant to section ~~15-2157~~ 41-5857.

7. "Program leverage ratio" means the ratio at any time between the aggregate principal amount of guaranteed financings outstanding and the amounts on deposit in the fund.

Sec. 100. Section 41-5853, Arizona Revised Statutes, as transferred and renumbered, is amended to read: 41-5853. Powers and duties of the board

A. The board is a body corporate and politic and may have an official seal that is judicially noticed.

B. The board may:

1. Sue and be sued in its own name.

2. Contract and enter into agreements as necessary to carry out its responsibilities under this article.

3. Contract with experts, advisers, consultants and agents, including financial experts, legal counsel and other advisers and consultants as may be necessary for services to assist the board.

4. Make and execute contracts and other instruments necessary or convenient for the performance of its duties and the exercise of its power and functions.

5. Pursuant to section ~~15-2155~~ 41-5855, approve financing for an achievement district school as guaranteed financing under the program.

6. Do all acts, whether or not expressly authorized, that may be deemed necessary or proper for the protection of the monies in the Arizona public school credit enhancement fund, except that the board may not take any action that would create a general or moral obligation of this state or any agency of the state.

7. Contract with any entity relating to guaranteed financings.

8. Issue program funding obligations pursuant to section ~~15-2157~~ 41-5857.

9. Adopt rules governing the operation of the program.

10. Take any other action that is necessary or appropriate to carry out this article.

C. The ~~school facilities board~~ DIVISION shall provide staff as requested by the board to support the activities of the ~~credit enhancement eligibility~~ board.

Sec. 101. Section 41-5854, Arizona Revised Statutes, as transferred and renumbered, is amended to read: 41-5854. Arizona public school credit enhancement fund; purposes; exemption

A. The Arizona public school credit enhancement fund is established consisting of:

1. Payments of program participation fees paid by schools that have participated in guaranteed financings pursuant to section ~~15-2155~~ 41-5855.

2. Repayments of monies of the fund that are used to make payments of principal and interest on guaranteed financings pursuant to section ~~15-2156~~ 41-5856.

3. The proceeds of program funding obligations issued by the board pursuant to section ~~15-2157~~ 41-5857.

4. Gifts, grants and donations received from any public or private source to carry out the purposes of this article.

5. Interest earnings and investment income earned on monies in the fund.

6. Any other monies distributed, paid or deposited to the fund by law or pursuant to contracts arising out of a guaranteed financing.

B. Monies and other assets of the fund shall be held and disbursed separate and apart from all other monies or assets of this state or political subdivisions of this state.

C. Monies in the fund shall be used for the following purposes:

1. By the state treasurer to make payments of principal or interest on guaranteed financings pursuant to section ~~15-2156~~ 41-5856.

2. By the board at its direction:

(a) To pay any operational or administrative expenses of the board, including fees for advisers, rating agencies and professionals retained by the board.

(b) To make payments to bond insurers to provide municipal bond insurance guaranteeing the timely payment of all or a portion of any guaranteed financing.

(c) To make payments of principal and interest in connection with any program funding obligations.

D. The state treasurer shall administer the fund and shall disburse monies in the fund as required by subsection C, paragraph 1 of this section and as directed by the board pursuant to subsection C, paragraph 2 of this section. The state treasurer shall separately account for monies received from each source listed in subsection A of this section and may establish accounts and subaccounts as necessary to properly account for and use monies in the fund.

E. Monies received pursuant to subsection A of this section may not be used for any purpose except guaranteeing or making payments of principal and interest on guaranteed financings approved by the board and any costs and expenses of the program or the board as provided in this article.

F. The state treasurer shall invest and divest monies in the fund as provided in section 35-313, and monies earned from investment shall be credited to the fund. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

Sec. 102. Section 41-5857, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5857. Program funding obligations; immunity

A. The board may deliver nonnegotiable program funding obligations in one or more series in an aggregate principal amount of not more than ~~eighty million dollars~~ **\$80,000,000**.

B. The board shall sell any program funding obligations prescribed in subsection A of this section to the state treasurer, and the state treasurer shall buy such obligations as an allowable investment of the fund. The total principal amount of program funding obligations outstanding at any one time may not exceed ~~eighty million dollars~~ **\$80,000,000**. The board may reissue to the state treasurer any called program funding obligations on the same terms as the obligations that were called and in a principal amount that does not exceed the principal amount called.

C. The board shall authorize each program funding obligation by a resolution that sets forth:

1. The rate or rates of interest.
2. The date or dates of maturity.
3. The terms of redemption.
4. The form and manner of execution of the program funding obligation.
5. Any terms necessary to secure credit enhancement or other sources of payment or security.
6. Any other terms deemed necessary or advisable by the board.

D. The interest rate to be paid on program funding obligations authorized by the board pursuant to subsection C of this section shall be equal to the sum of the following:

1. The actual rate of interest earned by the state treasurer on the investment of the proceeds from the sale of the program funding obligations.
2. For any period during which guaranteed financings are outstanding, an additional interest rate of at least one hundred basis points as determined by the board.

E. The principal of and interest on the program funding obligations shall be secured by and paid from monies deposited in the fund, on the terms set forth in the resolution, and are subordinate to any payments that are necessary to be made for guaranteed financings. Principal payments shall be paid on a basis proportional to the reduction in outstanding principal of guaranteed financings under the program. Interest shall be paid on an annual or more frequent basis as set forth in the resolution of the board. The monies pledged under this section to the program funding obligations are immediately subject to the lien of the pledge without any future physical delivery or further act. A lien of any pledge is valid and binding against all parties having claims of any kind in tort, contract or otherwise against the board irrespective of whether the parties have notice of the lien. When placed in the board's records, the resolution by which the pledge is created is notice to all concerned of the creation of the pledge.

F. Program funding obligations shall be sold at private sale to the state treasurer at a price and on terms provided by the board in its resolution pursuant to this section. The proceeds from the sale of program funding obligations shall be deposited into the fund and may be used for the purposes of the fund as set forth in section ~~15-2154~~ **41-5854**.

G. Program funding obligations are:

1. Special obligations of the board.
2. Not obligations that are general, special or otherwise of this state.
3. Not a legal debt of this state.
4. Payable and enforceable only from the monies and fund pledged and assigned by the board in its resolution.

H. Any member of the board or a person executing a program funding obligation is not personally liable for the payment of the program funding obligation.

Sec. 103. Section 41-5858, Arizona Revised Statutes, as transferred and renumbered, is amended to read: **41-5858. Quarterly reports**

Within thirty days after the last day of each calendar quarter, the ~~school facilities board~~ **DIVISION** staff, in collaboration with the ~~credit enhancement eligibility~~ board, shall submit to the speaker of the house of representatives, the president of the senate, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting a quarterly report on the implementation of the program pursuant to this article. The quarterly report shall include at least the following information:

1. A listing of all outstanding guaranteed financings approved by the board, including the following information for each financing:

(a) The name of the public school or charter school by or on behalf of which the debt obligation was issued.

(b) The date of the issuance.

(c) The original amount of the issuance.

(d) The interest rate of the issuance.

(e) The term length of the issuance.

(f) The credit rating of the issuance.

(g) The amount of principal and interest due on the debt obligation in the current fiscal year.

(h) The purpose for which the debt obligation was issued, separately delineated for obligations to construct new capital facilities, renovate existing capital facilities or refinance existing debt obligations.

(i) The current outstanding principal of the debt obligation.

2. A listing of all guaranteed financings subject to section ~~15-2156~~ 41-5856 in the prior quarter, including the amounts disbursed for payment of principal and interest for the guaranteed financing and the terms and conditions the school is subject to under section ~~15-2156~~ 41-5856, subsections C, D and E.

3. The current balance of the Arizona public school credit enhancement fund.

4. The current program leverage ratio.

Sec. 104. Section 42-5030.01, Arizona Revised Statutes, is amended to read:

42-5030.01. Distribution of revenues for school facilities

From and after June 30, 1999, if there are outstanding state school facilities revenue bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6, and if the amount of monies available under section 37-521, subsection B, paragraph 1 is insufficient to pay the debt service due on the outstanding bonds in that fiscal year, the state treasurer shall transfer to the state school facilities revenue bond debt service fund established pursuant to section ~~15-2054~~ 41-5754 the amount that is necessary to pay the debt service due in that fiscal year on the outstanding bonds from state general fund revenues that were collected pursuant to this chapter.

Sec. 105. Section 43-1089.02, Arizona Revised Statutes, is amended to read:

43-1089.02. Credit for donation of school site

A. A credit is allowed against the taxes imposed by this title in the amount of thirty percent of the value of real property and improvements donated by the taxpayer to a school district or a charter school for use as a school or as a site for the construction of a school.

B. To qualify for the credit:

1. The real property and improvements must be located in this state.

2. The real property and improvements must be conveyed unencumbered and in fee simple, except that:

(a) The conveyance must include as a deed restriction and protective covenant running with title to the land the requirement that as long as the donee holds title to the property the property shall only be used as a school or as a site for the construction of a school, subject to subsection I or J of this section.

(b) In the case of a donation to a charter school, the donor shall record a lien on the property as provided by subsection J, paragraph 3 of this section.

3. The conveyance shall not violate section 15-341, subsection D or section 15-183, subsection U.

C. For the purposes of this section, the value of the donated property is the property's fair market value as determined in an appraisal as defined in section 32-3601 that is conducted by an independent party and that is paid for by the donee.

D. If the property is donated by co-owners, including individual partners in a partnership, each donor may claim only the pro rata share of the allowable credit under this section based on the ownership interest. If the property is donated by a husband and wife who file separate returns for a taxable year in which they could have filed a joint return, they may determine between them the share of the credit each will claim. The total of the credits allowed all co-owner donors may not exceed the allowable credit.

E. If the allowable tax credit exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry the amount of the claim not used to offset the taxes under this title forward for not more than five consecutive taxable years' income tax liability.

F. The credit under this section is in lieu of any deduction pursuant to section 170 of the internal revenue code taken for state tax purposes.

G. On written request by the donee, the donor shall disclose in writing to the donee the amount of the credit allowed pursuant to this section with respect to the property received by the donee.

H. A school district or charter school may refuse the donation of any property for purposes of this section.

I. If the donee is a school district:

1. The district shall notify the **DIVISION OF school facilities** ~~board established by section 15-2001~~ **WITHIN THE DEPARTMENT OF ADMINISTRATION** and furnish the **board DIVISION** with any information the **board DIVISION** requests regarding the donation. A school district shall not accept a donation pursuant to this section unless the ~~school facilities board~~ **DIVISION** has reviewed the proposed donation and has issued a written determination that the real property and improvements are suitable as a school site or as a school. The ~~school facilities board~~ **DIVISION** shall issue a determination that the real property and improvements are not suitable as a school site or as a school if the expenses that would be necessary to make the property suitable as a school site or as a school exceed the value of the proposed donation.

2. The district may sell any donated property pursuant to section 15-342, but the proceeds from the sale shall only be used for capital projects. The school facilities **OVERSIGHT board** shall **DIRECT THE DIVISION OF SCHOOL FACILITIES WITHIN THE DEPARTMENT OF ADMINISTRATION TO** withhold an amount that corresponds to the amount of the proceeds from any monies that would otherwise be due the school district from the ~~school facilities~~ board pursuant to section ~~15-2041~~ 41-5741.

J. If the donee is a charter school:

1. The charter school shall:

(a) Immediately notify the sponsor of the charter school by certified mail and shall furnish the sponsor with any information requested by the sponsor regarding the donation during the ~~ten-year~~ **TEN-YEAR** period

after the conveyance is recorded.

(b) Notify the sponsor by certified mail, and the sponsor shall notify the state treasurer, in the event of the charter school's financial failure or if the charter school:

(i) Fails to establish a charter school on the property within forty-eight months after the conveyance is recorded.

(ii) Fails to provide instruction to pupils on the property within forty-eight months after the conveyance is recorded.

(iii) Establishes a charter school on the property but subsequently ceases to operate the charter school on the property for twenty-four consecutive months or fails to provide instruction to pupils on the property for twenty-four consecutive months.

2. The charter school, or a successor in interest, shall pay to the state treasurer the amount of the credit allowed under this section, or if that amount is unknown, the amount of the allowable credit under this section, if any of the circumstances listed in paragraph 1, subdivision (b) of this subsection occurs. If the amount is not paid within one year after the treasurer receives notice under paragraph 1, subdivision (b) of this subsection, a penalty and interest shall be added, determined pursuant to title 42, chapter 1, article 3.

3. A tax credit under this section constitutes a lien on the property, which the donor must record along with the title to the property to qualify for the credit. The amount of the lien is the amount of the allowable credit under this section, adjusted according to the average change in the GDP price deflator, as defined in section 41-563, for each calendar year since the donation, but not exceeding twelve and one-half percent more than the allowable credit. The lien is subordinate to any liens securing the financing of the school construction. The lien is extinguished on the earliest of the following:

(a) Ten years after the lien is recorded. After that date, the charter school, or a successor in interest, may request the state treasurer to release the lien.

(b) On payment to the state treasurer by the donee charter school, or by a successor in interest, of the amount of the allowable credit under this section, either voluntarily or as required by paragraph 2 of this subsection. After the required amount is paid, the charter school or successor in interest may request the state treasurer to release the lien.

(c) On conveyance of fee simple title to the property to a school district.

(d) On enforcement and satisfaction of the lien pursuant to paragraph 4 of this subsection.

4. The state treasurer shall enforce the lien by foreclosure within one year after receiving notice of any of the circumstances described in paragraph 1, subdivision (b) of this subsection.

5. Subject to paragraphs 3 and 4 of this subsection, the charter school may sell any donated property.

Sec. 106. Laws 2020, chapter 26, section 1 is amended to read:

Section 1. Department of education; crisis management team; persistently underperforming school districts; reporting requirements; implementation plans; delayed repeal

A. The department of education shall establish a crisis management team to recommend necessary changes for any persistently underperforming school district prescribed pursuant to subsection C of this section to meet the educational needs of the community in which the school district is located. ~~The crisis management team shall consist of all of the following members who are appointed by the superintendent of public instruction:~~

~~1. Department of education staff persons with expertise and experience in school improvement;~~

~~2. An expert in tribal consultation and tribal affairs;~~

~~3. An expert in school improvement for rural schools;~~

~~4. An employee of the office of Indian education;~~

~~5. Other persons as deemed appropriate.~~

B. The crisis management team shall establish a work plan to evaluate the local circumstances and needs of a school district prescribed pursuant to subsection C of this section. The crisis management team shall consult with tribal stakeholders, school district governing board members, school district employees, community members, parents and other relevant persons to determine all of the following:

1. The impediments to academic success.

2. Barriers to an effective school community, including relationships between a school district and relevant community stakeholders, including parents.

3. Specific changes that are needed to increase academic outcomes and prevent teacher and staff turnover.

4. Outstanding financial impediments and appropriate solutions for resolution.

5. The long-term plan to sustain a successful school, including potential changes to governance or boundaries or whether receivership or consolidation would benefit the school district.

C. The crisis management team may intervene as prescribed in this section on behalf of any school district that operates a school that meets all of the following criteria:

1. For school years 2016-2017 and 2018-2019, was assigned a letter grade of F pursuant to section 15-241, Arizona Revised Statutes.

2. For school year 2018-2019, had less than five percent of pupils who were proficient on the statewide assessment in English language arts and mathematics.

D. A school district prescribed pursuant to subsection C of this section shall comply with all requests for information by the crisis management team and provide the information requested within two weeks. The school district may request additional time to complete the information request. If the school district requests additional time to complete an information request pursuant to this subsection, the school district shall outline the reasons the school district needs more than two weeks to complete the request.

E. The crisis management team shall provide a school district prescribed pursuant to subsection C of this section with specific recommendations to implement that will address the issues the crisis management team identifies within the school district that contribute to persistent academic underperformance. The crisis management team shall provide all recommendations in writing to the school district governing board and superintendent, and the school district shall notify the crisis management team in writing within two weeks after receiving the recommendations either outlining the school district's efforts to implement the recommendations or rejecting a recommendation and providing the reason for rejection.

~~F. The superintendent of public instruction may retain a portion of state monies that a school district prescribed pursuant to subsection C of this section would otherwise be entitled to receive to compensate members of the crisis management team at a reasonable rate, as determined by the department of education, except that the superintendent of public instruction may not retain a portion of state monies to compensate employees of the department of education. The school district shall reduce its budget limit accordingly.~~

~~G. F.~~ If the crisis management team formally determines that a school district prescribed pursuant to subsection C of this section is unable to meet the educational needs of the community in which it is located without a change in administration, the school district shall terminate the contract of the school district superintendent in accordance with the terms of the contract and include appropriate financial recourse. The crisis management team may assist the school district governing board in identifying candidates to act as an interim superintendent.

~~H. G.~~ The crisis management team shall submit a preliminary report on or before July 1, ~~2020~~ 2021 and submit a final report on or before December 31, ~~2020~~ 2021 to the governor, the president of the senate, the speaker of the house of representatives, the department of education and the chairpersons of the house of representatives and senate education and appropriations committees and submit a copy to the secretary of state. The report shall include all of the following:

1. The specific recommendations for improvement that the crisis management team made to school districts pursuant to this section.
2. The outcome of any consultations under subsection B of this section, including suggested actions for improvement by community and tribal stakeholders, parents and the school district.
3. Recommendations on the long-term viability of each school district prescribed pursuant to subsection C of this section, including whether the school district requires a change in governance or boundaries or whether receivership or consolidation would benefit the academic outcomes of affected pupils.
4. A projected implementation timeline for recommended changes.

~~I. H.~~ If the crisis management team determines that a long-term sustainability plan is viable, the crisis management team may request the department of education to notify the school district of the implementation plan for sustainability. The department shall compile all recommendations of the crisis management team under subsection ~~H. G.~~ of this section and shall establish an implementation plan. The department shall provide to school districts prescribed pursuant to subsection C of this section an implementation plan and projected timeline for implementation. The school district shall evaluate the implementation plan and respond in writing to the department of education outlining the adoption of an implementation plan and any modifications deemed necessary. The school district shall provide regular reports to the department of education on implementation and may request assistance in community stakeholder engagement, including tribal consultation, or implementation.

~~J. I.~~ This section is repealed from and after April 1, ~~2021~~ 2022.

Sec. 107. Results-based funding; allocation formula; fiscal year 2021-2022

Notwithstanding section 15-249.08, subsection B, paragraph 2, Arizona Revised Statutes, for fiscal year 2021-2022, the department of education shall distribute monies from the results-based funding fund established by section 15-249.08, Arizona Revised Statutes, as follows:

1. Each school operated by a school district or charter holder shall receive \$225 per student count from the fund if both of the following apply:

(a) At the time the test prescribed in subdivision (b) of this paragraph was administered, fewer than sixty percent of the students who were enrolled in the school met the eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches, or an equivalent measure recognized for participating in the federal free and reduced-price lunch program and other school programs dependent on a poverty measure, including the community eligibility provision for which free and reduced-price lunch data is not available.

(b) In results achieved during the spring of 2019, the school performed in the top thirteen percent of all schools statewide as demonstrated by the average percentage of students who obtained a passing score on the mathematics portions of the statewide assessment and the average percentage of students who obtained a passing score on the language arts portions of the statewide assessment.

2. Each school operated by a school district or charter holder shall receive \$400 per student count from the fund if both of the following apply:

(a) At the time the test prescribed in subdivision (b) of this paragraph was administered, sixty percent or more of the students who were enrolled in the school met the eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches, or an equivalent measure recognized for participating in the federal free and reduced-price lunch program and other school programs dependent on a poverty measure, including the community eligibility provision for which free and reduced-price lunch data is not available.

(b) In results achieved during the spring of 2019, the school performed in the top thirteen percent of schools pursuant to subdivision (a) of this paragraph, as demonstrated by the average percentage of those students who obtained a passing score on the mathematics portions of the statewide assessment and the average percentage of students who obtained a passing score on the language arts portions of the statewide assessment.

3. Each school operated by a school district or charter holder shall receive \$225 per student count from the fund if both of the following apply:

(a) At the time the test prescribed in subdivision (b) of this paragraph was administered, sixty percent or more of the students who were enrolled in the school met the eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches, or an equivalent measure recognized for participating in the federal free and reduced-price lunch program and other school programs dependent on a poverty measure, including the community eligibility provision for which free and reduced-price lunch data is not available.

(b) In results achieved during the spring of 2019, the school performed in the top twenty-seven percent but not in the top thirteen percent of schools pursuant to subdivision (a) of this paragraph, as demonstrated by the average percentage of those students who obtained a passing score on the mathematics portions of the statewide assessment and the average percentage of students who obtained a passing score on the language arts portions of the statewide assessment.

4. Each alternative high school shall receive \$400 per student count from the fund if in the results achieved during testing conducted in the spring of 2019 the school performed in the top twenty-seven percent of schools identified pursuant to paragraph 3, subdivision (a) of this section, as demonstrated by the average percentage of those students who obtained a passing score on the mathematics portions of the statewide assessment and the average percentage of students who obtained a passing score on the language arts portions of the statewide assessment. An alternative high school is eligible for funding under this paragraph only if it reports the average percentage of students who obtained a passing score on both the mathematics portions of the statewide assessment and the language arts portions of the statewide assessment during testing conducted in the spring of 2019.

Sec. 108. [Learning loss; reports; federal monies; allocation](#)

A. On or before July 1, 2021, school districts and charter schools in this state shall report to the department of education whether they offered in-person, teacher-led instruction for at least one hundred days of the 2020-2021 school year, except that school districts and charter schools with fewer than one hundred eighty days of instruction pursuant to section 15-341.01, Arizona Revised Statutes, shall report whether they offered in-person, teacher-led instruction for an equivalent proportion of instructional days. The report shall delineate the number of days of in-person, teacher-led instruction that was offered by school site.

B. On or before August 1, 2021, the department of education shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting that compiles the information reported by school districts and charter schools pursuant to subsection A of this section.

C. On or before September 1, 2021, the department of education shall post on its website school district and charter school plans to address learning loss by spending elementary and secondary school emergency relief fund monies appropriated to this state by section 2001 of the American rescue plan act of 2021 (P.L. 117-2).

D. The governor's office of strategic planning and budgeting shall post on its website its allocation of \$350,000,000 of coronavirus state fiscal recovery fund monies appropriated to this state by section 9901 of the American rescue plan act of 2021 (P.L. 117-2) to school districts and charter schools for assistance to supplement monies provided by the elementary and secondary school emergency relief fund.

Sec. 109. [School districts; teacher experience index; submission of corrected data](#)

Notwithstanding sections 15-905 and 15-915 and section 15-941, subsection C, Arizona Revised Statutes, the Buckeye union high school district may submit corrections not later than August 15, 2021 to teacher experience index data that are required pursuant to section 15-941, Arizona Revised Statutes. The school district may use the resulting teacher experience index in determining its base support level for fiscal year 2020-2021.

Sec. 110. [School finance data system replacement; expenditures; review; milestones; third-party verification; intent](#)

A. Before each expenditure of any monies appropriated for school finance data system replacement, the department of education shall submit the purpose and estimated costs of the expenditure to the department of administration and the information technology authorization committee established by section 18-121, Arizona Revised Statutes, for review and approval.

B. The department of administration shall detail development milestones for the replacement of the school finance data system within thirty days after the last day of fiscal year 2020-2021 in consultation with the department of education. These milestones must, at a minimum, meet all of the following:

1. Specify deliverable dates the department of education must meet for the entirety of the project's lifecycle.

2. Specify deliverables to be provided by the department of education to the department of administration regarding full system documentation.

3. Define critical deliverables for the project.

4. Be derived from the accelerated plan approved on August 19, 2020 by the information technology authorization committee established by section 18-121, Arizona Revised Statutes.

C. To close a milestone and to be eligible to receive funding for subsequent work on any major milestone or critical deliverable for the replacement of the school finance data system, as defined by the department of administration and the information technology authorization committee established by section 18-121, Arizona Revised Statutes, the department of education must receive approval from the superintendent of public instruction and the director of the department of administration.

D. The department of education shall submit an expenditure plan on the staffing of the school finance data system project for review by the department of administration. This expenditure plan shall be adequate, as defined by the department of administration, to comply with the project milestones prescribed in subsection B of this section.

E. The department of education shall use a portion of the monies appropriated for school finance data system replacement to engage with a third party to conduct independent verification and validation related to the replacement of the school finance data system.

F. Notwithstanding any other law, the department of administration shall define the terms of any agreement with a third party that conducts independent verification and validation related to the replacement of the school finance data system.

G. The department of education shall update all current agreements with third parties that conduct independent verification and validation related to the replacement of the school finance data system to comply with subsection E of this section.

H. The legislature intends that the department of education work collaboratively with the department of administration in the replacement of the school finance data system. This cooperation includes, at a minimum, providing all materials and information necessary to complete the project within the milestones outlined in subsection B of this section, as defined by the department of administration.

Sec. 111. Department of administration; public school transportation modernization grants; delayed repeal

A. The public school transportation modernization grants program is established in the department of administration. The department shall select an organization to administer the program. The program administrator selected by the department must meet all of the following criteria:

1. Be a nonprofit organization that is exempt from taxation under section 501(c)(3) of the internal revenue code and that has experience with awarding innovation grants to both school districts and charter schools in this state that promote expanding educational options for students or innovative approaches to K-12 education.

2. Have previously been awarded funding from this state or the federal government to grant to school districts or charter schools in the current or previous fiscal year.

3. Demonstrate the ability and history to be able to provide ongoing evaluation and compliance to entities that are awarded grants pursuant to this section.

B. The program administrator selected pursuant to subsection A of this section shall distribute grants to school districts, charter schools or other entities that are determined to be eligible grant recipients and shall do all of the following:

1. Develop a public school transportation modernization grant application and application procedures that require an applicant to explain how it would use grant monies to do either of the following:

(a) Improve access to reliable and safe transportation for students who attend school through open enrollment pursuant to title 15, chapter 8, article 1.1, Arizona Revised Statutes, or who attend charter schools.

(b) Support K-12 transportation innovations and efficiency solutions.

2. Make final grant determinations and awards pursuant to this section.

3. Submit an interim report on or before December 31, 2021 to the department of administration and an annual report on or before June 30 of each year thereafter to the governor, the president of the senate and the speaker of the house of representatives and provide a copy of these reports to the secretary of state. The department of education, the department of administration and any grant recipient shall provide any information, including student finance and enrollment data, that is deemed necessary by the program administrator to complete the reports pursuant to this paragraph. The reports must include all of the following:

(a) If applicable, the best practices used by grant recipients to transport K-12 students to schools outside of attendance boundaries.

(b) A list of the grant recipients and the amounts and purposes of the grants.

(c) The number of students impacted per grant recipient.

C. The program administrator shall distribute the monies appropriated for the program based on demand and the most innovative solutions. The program administrator shall award at least twenty-five percent of these grants to support rural and remote proposals, except that if an insufficient number of qualified rural and remote proposals is submitted, the program administrator may award fewer than twenty-five percent of these grants to rural and remote proposals. The program administrator may retain not more than five percent of monies appropriated each fiscal year to administer the grant program pursuant to this section. Administrative expenditures may include costs of designing a public awareness effort to communicate to the public the ability to choose any public school in this state and how to learn about school choice options in this state and instructing the public how to request enrollment for pupils.

D. This section is repealed from and after December 31, 2024.

Sec. 112. [School facilities oversight board; new school construction rates; applicability](#)

Section 41-5741, subsection D, paragraph 3, subdivision (c), Arizona Revised Statutes, as transferred, renumbered and amended by this act, applies to new school facilities that were previously approved by the school facilities board as follows:

<u>School District</u>	<u>Project Number</u>
Douglas Unified	020227000-9999-001N
Liberty Elementary	070425000-9999-005N
Maricopa Unified	110220000-9999-022N
Queen Creek Unified	070295000-9999-018N
Safford Unified	050201000-9999-001N
Santa Cruz Valley	120235000-9999-008N
Sahuarita Unified	100230000-9999-014N
Somerton Elementary	140411000-9999-008N
Somerton Elementary	140411000-9999-009N
Tanque Verde Unified	100213000-9999-002N
Tanque Verde Unified	100213000-9999-003N
Vail Unified	100220000-9999-019N
Vail Unified	100220000-9999-020N
Vail Unified	100220000-9999-021N

Sec. 113. [Statutory or regulatory requirements; enforcement; 2020-2021 school year](#)

Notwithstanding any other law, this state shall enforce only those statutory or regulatory requirements for the 2020-2021 school year that are consistent with the approved waiver of the accountability, school identification and related reporting requirements awarded by the United States department of education for this state, including minimum testing percentages and local school ratings.

Sec. 114. [Career technical education; funding following student graduation; fiscal years 2021-2022 through 2024-2025](#)

Notwithstanding section 15-393, subsection Y, Arizona Revised Statutes, as added by this act, for fiscal years 2021-2022, 2022-2023, 2023-2024 and 2024-2025, a student participating in an approved career technical education program included on the in-demand regional education list compiled pursuant to section 15-393, subsection X, Arizona Revised Statutes, as added by this act, on the date the list is compiled qualifies for funding in the year immediately following graduation.

Sec. 115. [Terms of school facilities board members](#)

Notwithstanding section 41-5701.02, Arizona Revised Statutes, as transferred, renumbered and amended by this act, a person who is serving as a member of the school facilities board on the effective date of this act is eligible to continue to serve as a member of the school facilities oversight board until expiration of the current term of office.

Sec. 116. [Succession](#)

A. As provided by this act, the school facilities oversight board within the school facilities division within the department of administration and the school facilities division within the department of administration succeed to the authority, powers, duties and responsibilities of the school facilities board as provided in this act.

B. This act does not alter the effect of any actions that were taken or impair the valid obligations of the school facilities board in existence before the effective date of this act.

C. Administrative rules and orders that were adopted by the school facilities board continue in effect until superseded by administrative action by the school facilities oversight board or the school facilities division within the department of administration as provided in this act.

D. All administrative matters, contracts and judicial and quasi-judicial actions, whether completed, pending or in process, of the school facilities board on the effective date of this act are transferred to and retain the same status with the school facilities oversight board or the school facilities division within the department of administration as provided in this act.

E. All certificates, licenses, registrations, permits and other indicia of qualification and authority that were issued by the school facilities board retain their validity for the duration of their terms of validity as provided by law.

F. All equipment, records, furnishings and other property, all data and investigative findings, all obligations and all appropriated monies that remain unexpended and unencumbered on the effective date of this act of the school facilities board are transferred to the school facilities oversight board or the school facilities division within the department of administration as provided in this act.

G. All personnel who are under the state personnel system and employed by the school facilities board are transferred to comparable positions and pay classifications in the respective administrative units of the school facilities oversight board on the effective date of this act.

Sec. 117. **Intent**

The governor and the legislature intend that school districts increase the total percentage of classroom spending over the previous year's percentages in the combined categories of instruction, student support and instructional support as prescribed by the auditor general.

Sec. 118. **Retroactivity**

A. Section 15-342.05, Arizona Revised Statutes, as added by this act, applies retroactively to from and after June 30, 2021.

B. Section 15-747, Arizona Revised Statutes, as added by this act, applies retroactively to from and after June 30, 2021.

C. Laws 2020, chapter 26, section 1, as amended by this act, applies retroactively to from and after April 1, 2021.

Sec. 119. **Effective date**

Section 15-973, Arizona Revised Statutes, as amended by this act, is effective from and after June 30, 2022.

Sec. 120. **Conditional enactment**

Section 15-711.01, Arizona Revised Statutes, as added by this act, does not become effective unless House Bill 2035, fifty-fifth legislature, first regular session, relating to parental rights and sex education instruction, becomes law.

APPROVED BY THE GOVERNOR JUNE 30, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 30, 2021.