

State of Arizona
Senate
Forty-fifth Legislature
Second Regular Session
2002

CHAPTER 301

SENATE BILL 1232

AN ACT

AMENDING SECTIONS 15-947, 15-974 AND 15-977, ARIZONA REVISED STATUTES;
AMENDING TITLE 15, CHAPTER 9, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING
SECTION 15-978; AMENDING SECTIONS 15-992 AND 15-996, ARIZONA REVISED
STATUTES; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-947, Arizona Revised Statutes, is amended to
3 read:

4 15-947. Revenue control limit; district support level; general
5 budget limit; unrestricted total capital budget
6 limit; soft capital allocation limit

7 A. The revenue control limit for a school district is equal to the sum
8 of the base revenue control limit determined in section 15-944 and the
9 transportation revenue control limit determined in section 15-946.

10 B. The district support level for a school district is equal to the
11 sum of the base support level determined in section 15-943 and the
12 transportation support level determined in section 15-945.

13 C. The general budget limit for each school district, for each fiscal
14 year, is the sum of the following:

15 1. The MAINTENANCE AND OPERATIONS PORTION OF THE revenue control limit
16 for the budget year.

17 2. The maintenance and operation portion of the following amounts:

18 (a) Amounts that are fully funded by revenues other than a levy of
19 taxes upon the taxable property within the school district, as listed below:

20 (i) Amounts budgeted as the budget balance carryforward as provided
21 in section 15-943.01.

22 (ii) Tuition revenues for attendance of nonresident pupils.

23 (iii) State assistance as provided in section 15-976.

24 (iv) Special education revenues as provided in section 15-825,
25 subsection D and section 15-1204.

26 (v) P.L. 81-874 assistance determined for children with disabilities,
27 children with specific learning disabilities and children residing on Indian
28 lands as provided in section 15-905, subsections K and O.

29 (vi) P.L. 81-874 administrative costs as provided in section 15-905,
30 subsection P.

31 (vii) State assistance for excess tuition as provided in section
32 15-825.01.

33 (viii) Amounts received from the state board of education pursuant to
34 section 15-973.01.

35 (b) Amounts approved pursuant to an override election as provided in
36 section 15-481 for the applicable fiscal year.

37 (c) Expenditures for excess utility costs as provided in section
38 15-910.

39 (d) Amounts authorized by the county school superintendent pursuant
40 to section 15-974, subsection C.

41 (e) Expenditures for complying with a court order of desegregation as
42 provided in section 15-910.

1 (f) Expenditures for the bond issues portion of the cost of tuition
2 as provided in section 15-910.

3 (g) Interest on registered warrants or tax anticipation notes as
4 provided in section 15-910.

5 (h) Amounts budgeted for a jointly owned and operated vocational and
6 technological center as provided in section 15-910.01.

7 (i) Amount of energy reduction adjustment pursuant to section
8 15-910.02.

9 3. The MAINTENANCE AND OPERATIONS PORTION OF THE capital outlay
10 revenue limit for the budget year.

11 ~~4. Monies received in the current fiscal year from the classroom site~~
12 ~~fund established by section 15-977.~~

13 ~~5. Unexpended monies received from prior fiscal years from the~~
14 ~~classroom site fund established by section 15-977.~~

15 ~~6.~~ 4. Any other budget item that is budgeted in the maintenance and
16 operation section of the budget and that is specifically exempt from the
17 revenue control limit or the capital outlay revenue limit.

18 D. The unrestricted capital budget limit, for each school district for
19 each fiscal year, is the sum of the following:

20 1. The federal impact adjustment as determined in section 15-964 for
21 the budget year.

22 2. Any other budget item that is budgeted in the capital outlay
23 section of the budget and that is specifically exempt from the capital outlay
24 revenue limit.

25 3. The capital portion of the amounts contained in subsection
26 C, paragraph 2 of this section.

27 4. The unexpended budget balance in the unrestricted capital outlay
28 fund from the previous fiscal year.

29 5. The net interest earned in the unrestricted capital outlay fund the
30 previous fiscal year.

31 E. The soft capital allocation limit for each school district for each
32 fiscal year is the sum of the following:

33 1. The soft capital allocation for the budget year.

34 2. The unexpended budget balance in the soft capital allocation fund
35 from the previous fiscal year.

36 3. The net interest earned in the soft capital allocation fund the
37 previous fiscal year.

38 Sec. 2. Section 15-974, Arizona Revised Statutes, is amended to read:
39 15-974. Equalization assistance for education for accommodation

40 schools; definition

41 A. Equalization assistance for education for accommodation schools
42 shall be computed as follows:

43 1. Determine the total of the lesser of an accommodation school's
44 revenue control limit or district support level as determined in section
45 15-947, an accommodation school's capital outlay revenue limit as determined

1 in section 15-961 and an accommodation school's soft capital allocation as
2 determined in section 15-962.

3 2. From the amount determined in paragraph 1 of this subsection
4 subtract the monies received from P.L. 81-874 for the prior fiscal year if
5 the amount to be received in the current fiscal year is equal to or greater
6 than the amount received in the prior fiscal year. If the amount to be
7 received during the current fiscal year is less than the amount received in
8 the prior fiscal year, the subtraction shall be determined as follows:

9 (a) Subtract the amount to be received in the current fiscal year,
10 adjusting the final payment to reflect actual receipts during the fiscal
11 year.

12 (b) If additional P.L. 81-874 monies are received after the
13 computation of the last payment of state aid but before the end of the fiscal
14 year, the amount received late shall be subtracted from the equalization
15 assistance for the following fiscal year, except that the total amount
16 reduced pursuant to subdivision (a) of this paragraph and this subdivision
17 shall not exceed the amount of P.L. 81-874 monies received in the prior year.

18 3. Equalization assistance for an accommodation school shall be the
19 amount determined in paragraph 2 of this subsection.

20 B. Equalization assistance for education for accommodation schools
21 shall be paid from appropriations for that purpose to the school districts
22 as provided in section 15-973.

23 C. When an accommodation school has a positive total cash balance at
24 the end of a fiscal year in its maintenance and operation fund, the county
25 school superintendent of the county in which the accommodation school is
26 located may authorize an addition to the accommodation school's revenue
27 control limit as provided in section 15-947, subsection A for the following
28 fiscal year. The county school superintendent may not authorize an addition
29 that exceeds the lesser of the ending cash balance less the amount budgeted
30 for the budget balance carryforward as provided in section 15-943.01 or ten
31 per cent of the revenue control limit of the accommodation school. If an
32 accommodation school has a cash balance in excess of the amount needed to
33 fund the budget balance carryforward, the addition authorized pursuant to
34 this subsection and the items listed in section 15-947, subsection C,
35 ~~paragraphs 5, 8 and 11~~ PARAGRAPH 2, SUBDIVISIONS (c) AND (f) for the
36 following fiscal year, the remaining cash balance shall be used to reduce the
37 amount of state aid for equalization assistance for education for the
38 accommodation school as provided in section 15-971, subsection D for the
39 following year.

40 D. The provisions of subsection C of this section shall not apply to
41 an accommodation school with a student count of one hundred twenty-five or
42 less in kindergarten programs and grades one through eight or to an
43 accommodation school which offers instruction in grades nine, ten, eleven or
44 twelve and which has a student count of one hundred or less in grades nine
45 through twelve.

1 E. For the purpose of this section, "monies received from P.L. 81-874"
2 means total P.L. 81-874 monies less P.L. 81-874 monies for children with
3 disabilities, children with specific learning disabilities and children
4 residing on Indian lands which are in addition to the basic assistance as
5 provided in 20 United States Code section 238, subsection (d), paragraph 2,
6 clauses (C) and (D).

7 Sec. 3. Section 15-977, Arizona Revised Statutes, is amended to read:
8 15-977. Classroom site fund; definitions

9 A. The classroom site fund is established consisting of monies
10 transferred to the fund pursuant to section 37-521, subsection B and section
11 42-5029, subsection E, paragraph 10. The department of education shall
12 administer the fund. School districts and charter schools may not supplant
13 existing school site funding with revenues from the fund. All monies
14 distributed from the fund are intended for use at the school site. Each
15 school district or charter school shall allocate forty per cent of the monies
16 for teacher compensation increases based on performance and employment
17 related expenses, twenty per cent of the monies for teacher base salary
18 increases and employment related expenses and forty per cent of the monies
19 for maintenance and operation purposes as prescribed in subsection C of this
20 section. Teacher compensation increases based on performance or teacher base
21 salary increases distributed pursuant to this subsection shall supplement,
22 and not supplant, teacher compensation monies from any other sources. The
23 school district or charter school shall notify each school principal of the
24 amount available to the school by April 15. The district or charter school
25 shall request from the school's principal each school's priority for the
26 allocation of the funds available to the school for each program listed under
27 subsection C of this section. The amount budgeted by the school district or
28 charter school pursuant to this section shall not be included in the
29 allowable budget balance carryforward calculated pursuant to section
30 15-943.01.

31 B. Monies in the fund are continuously appropriated, are exempt from
32 the provisions of section 35-190 relating to lapsing of appropriations and
33 shall be distributed as follows:

34 1. By March 30 of each year the staff of the joint legislative budget
35 committee shall determine a per pupil amount from the fund for the budget
36 year using the estimated statewide weighted count for the current year
37 pursuant to section 15-943, paragraph 2, subdivision (a) and based on
38 estimated available resources in the classroom site fund for the budget year.

39 2. The allocation to each charter school and school district for a
40 fiscal year shall equal the per pupil amount established in paragraph 1 of
41 this subsection for the fiscal year multiplied by the weighted student count
42 for the school district or charter school for the fiscal year pursuant to
43 section 15-943, paragraph 2, subdivision (a). FOR THE PURPOSES OF THIS
44 PARAGRAPH, THE WEIGHTED STUDENT COUNT FOR A SCHOOL DISTRICT THAT SERVES AS

1 THE DISTRICT OF ATTENDANCE FOR NONRESIDENT PUPILS SHALL BE INCREASED TO
2 INCLUDE NONRESIDENT PUPILS WHO ATTEND SCHOOL IN THE SCHOOL DISTRICT.

3 ~~3. For grades nine through twelve, multiply the amount determined~~
4 ~~under paragraph 1 of this subsection by the weight that corresponds to the~~
5 ~~student count as provided in section 15-943, paragraph 1, subdivision (a),~~
6 ~~column 3.~~

7 ~~4. For a school district with a student count of six hundred or more~~
8 ~~in kindergarten programs and grades one through eight multiply the amount~~
9 ~~determined under paragraph 1 of this subsection by 1.158 and for a school~~
10 ~~district with a student count of six hundred or more in grades nine through~~
11 ~~twelve multiply the amount determined under paragraph 1 of this subsection~~
12 ~~by 1.268.~~

13 ~~5. For programs for preschool children with disabilities, multiply the~~
14 ~~amount determined under paragraph 1 of this subsection by 1.158.~~

15 C. Monies distributed from the classroom site fund shall be spent for
16 the following maintenance and operation purposes:

- 17 1. Class size reduction.
- 18 2. Teacher compensation increases.
- 19 3. AIMS intervention programs.
- 20 4. Teacher development.
- 21 5. Dropout prevention programs.
- 22 6. Teacher liability insurance premiums.

23 D. The district governing board or charter school shall allocate the
24 classroom site fund monies to include, wherever possible, the priorities
25 identified by the principals of the schools while assuring that the funds
26 maximize classroom opportunities and conform to the authorized expenditures
27 identified in subsection A of this section.

28 E. School districts and charter schools that receive monies from the
29 classroom site fund shall submit a report by November 15 of each year to the
30 superintendent of public instruction on a per school basis that provides an
31 accounting of the expenditures of monies distributed from the fund during the
32 previous fiscal year and a summary of the results of district and school
33 programs funded with monies distributed from the fund. The department of
34 education in conjunction with the auditor general shall prescribe the format
35 of the report under this subsection.

36 F. School districts and charter schools that receive monies from the
37 classroom site fund shall receive these monies monthly in an amount not to
38 exceed one-twelfth of the monies estimated pursuant to subsection B of this
39 section, except that if there are insufficient monies in the fund that month
40 to make payments, the distribution for that month shall be prorated for each
41 school district or charter school. The department of education may make an
42 additional payment in the current month for any prior month or months in
43 which school districts or charter schools received a prorated payment if
44 there are sufficient monies in the fund that month for the additional
45 payments. The state is not required to make payments to a school district

1 or charter school classroom site fund if the state classroom site fund
2 revenue collections are insufficient to meet the estimated allocations to
3 school districts and charter schools pursuant to subsection B of this
4 section.

5 G. The Arizona state schools for the deaf and the blind and the state
6 education system for committed youth shall receive monies from the classroom
7 site fund in the same manner as school districts and charter schools. The
8 Arizona state schools for the deaf and the blind and the state education
9 system for committed youth are subject to this section in the same manner as
10 school districts and charter schools.

11 H. EACH SCHOOL DISTRICT AND CHARTER SCHOOL SHALL ESTABLISH A LOCAL
12 LEVEL CLASSROOM SITE FUND TO RECEIVE ALLOCATIONS FROM THE STATE LEVEL
13 CLASSROOM SITE FUND. THE LOCAL LEVEL CLASSROOM SITE FUND SHALL BE A
14 BUDGETARY CONTROLLED ACCOUNT. INTEREST CHARGES FOR ANY REGISTERED WARRANTS
15 FOR THE LOCAL LEVEL CLASSROOM SITE FUND SHALL BE A CHARGE AGAINST THE LOCAL
16 LEVEL FUND. INTEREST EARNED ON MONIES IN THE LOCAL LEVEL CLASSROOM SITE FUND
17 SHALL BE ADDED TO THE LOCAL LEVEL CLASSROOM SITE FUND AS PROVIDED IN SECTION
18 15-978. IN NO EVENT SHALL THIS STATE BE REQUIRED TO MAKE PAYMENTS TO A
19 SCHOOL DISTRICT OR CHARTER SCHOOL LOCAL LEVEL CLASSROOM SITE FUND THAT ARE
20 IN ADDITION TO MONIES TRANSFERRED TO THE STATE LEVEL CLASSROOM SITE FUND
21 PURSUANT TO SECTION 37-521, SUBSECTION B AND SECTION 42-5029, SUBSECTION E,
22 PARAGRAPH 10.

23 H. I. For purposes of this section:

24 1. "AIMS intervention" means summer programs, after school programs,
25 before school programs or tutoring programs that are specifically designed
26 to ensure that pupils meet the Arizona academic standards as measured by the
27 Arizona instrument to measure standards test prescribed by section 15-741.

28 2. "Class size reduction" means any maintenance and operations
29 expenditure that is designed to reduce the ratio of pupils to classroom
30 teachers, including the use of persons who serve as aides to classroom
31 teachers.

32 Sec. 4. Title 15, chapter 9, article 5, Arizona Revised Statutes, is
33 amended by adding section 15-978, to read:

34 15-978. Classroom site fund budget limit; school district

35 THE CLASSROOM SITE FUND BUDGET LIMIT FOR EACH SCHOOL DISTRICT IS THE
36 SUM OF THE FOLLOWING:

37 1. THE ALLOCATION THAT IS COMPUTED FOR THE SCHOOL DISTRICT PURSUANT
38 TO SECTION 15-977, SUBSECTION B, PARAGRAPH 2.

39 2. THE UNEXPENDED BUDGET BALANCE FROM THE CLASSROOM SITE FUND FOR THE
40 PRIOR FISCAL YEAR.

41 3. THE NET INTEREST EARNED ON MONIES IN THE CLASSROOM SITE FUND DURING
42 THE PRIOR FISCAL YEAR.

1 Sec. 5. Section 15-992, Arizona Revised Statutes, is amended to read:
2 15-992. School district tax levy; additional tax in districts
3 ineligible for equalization assistance; definition

4 A. The board of supervisors of each county shall annually, at the time
5 of levying other taxes, levy school district taxes on the property in any
6 school district in which additional amounts are required, which shall be at
7 rates sufficient to provide the additional amounts. No delinquency factor
8 for estimated uncollected taxes may be included in the computation of the
9 primary tax rate for school district taxes. NO LOCAL PROPERTY TAXES MAY BE
10 LEVIED FOR ANY DEFICIT IN THE CLASSROOM SITE FUND. The taxes shall be added
11 to and collected in the same manner as other county taxes on the property
12 within the school district. The amount of the school district taxes levied
13 upon the property in a particular school district shall be paid into the
14 school fund of such school district.

15 B. At the same time of levying taxes as provided in subsection A of
16 this section, the county board of supervisors shall annually levy an
17 additional tax in each school district that is not eligible for equalization
18 assistance as provided in section 15-971 in an amount determined as follows:

19 1. Determine the levy that would be produced by fifty per cent of the
20 applicable qualifying tax rate, prescribed in section 15-971, subsection B,
21 per one hundred dollars assessed valuation.

22 2. Subtract the amount determined in section 15-971, subsection A from
23 the levy determined in paragraph 1 of this subsection. This difference is
24 the additional amount levied or collected as voluntary contributions pursuant
25 to title 48, chapter 1, article 8, except that if the difference is zero or
26 is a negative number, there shall be no levy.

27 C. Monies collected pursuant to subsection B of this section shall be
28 transmitted to the state treasurer for deposit in the state general fund to
29 aid in school financial assistance.

30 D. The additional tax prescribed in subsection B of this section is
31 considered to be primary property tax for purposes of section 15-972,
32 subsection B, except that this state is not required to make the payments
33 prescribed in section 15-972, subsection H for these reductions in taxes.

34 E. For the purposes of this section, "assessed valuation" includes the
35 values used to determine voluntary contributions collected pursuant to title
36 9, chapter 4, article 3 and title 48, chapter 1, article 8.

37 Sec. 6. Section 15-996, Arizona Revised Statutes, is amended to read:
38 15-996. Duties of county treasurer relating to school
39 district's monies

40 The county treasurer shall:

41 1. Receive and hold all school district monies and keep a separate
42 account for each school district and for the special county school reserve
43 fund. The county treasurer may maintain separate accounts for each fund of
44 a school district or the county treasurer may maintain only two accounts for
45 each school district's monies in addition to the funds provided for in

1 sections 15-1024, 15-1025, 15-2021, 15-2031 and 15-2041. If only two
2 accounts are maintained, the first account shall consist of maintenance and
3 operation, unrestricted capital outlay, soft capital allocation and adjacent
4 ways monies AND THE CLASSROOM SITE FUND PRESCRIBED IN SECTION 15-977 and the
5 second account shall consist of federal and state grant monies and all other
6 monies.

7 2. Pool school district monies for investment except as provided in
8 sections 15-1024 and 15-1025. Interest earned on the monies pooled for
9 investment shall be apportioned at least quarterly to the appropriate school
10 district based on an average monthly balance as prescribed in the uniform
11 system of accounting for county treasurers as provided in section 41-1279.21.

12 3. Notwithstanding section 11-605, register warrants only as follows:

13 (a) If separate accounts are maintained for each fund, warrants may
14 only be registered on the maintenance and operation, unrestricted capital
15 outlay, soft capital allocation and adjacent ways accounts AND THE CLASSROOM
16 SITE FUND PRESCRIBED IN SECTION 15-977 and only if the total cash balance of
17 all three accounts is insufficient to pay the warrants.

18 (b) If the county treasurer maintains only two accounts as provided
19 in paragraph 1 of this section:

20 (i) The county treasurer may register warrants only on the first
21 account and only if the balance of that account is insufficient to pay the
22 warrants.

23 (ii) The county treasurer may honor warrants for any federal or state
24 grant fund with a negative balance as long as the total balance in the second
25 account is positive. If the second account total balance is negative the
26 warrant for a federal or state grant fund shall be charged to the maintenance
27 and operation fund. Any interest charged to the federal or state grant fund
28 as a result of a negative balance that is in excess of interest earned on the
29 fund shall be transferred to the maintenance and operation fund at the end
30 of the fiscal year or the end of the grant year. If a federal or state grant
31 fund has a negative balance at the end of the fiscal year or grant year,
32 sufficient expenditures shall be transferred to the maintenance and operation
33 fund to eliminate the negative balance.

34 4. Notify the county school superintendent by the fifteenth day of
35 each calendar month of the month end balances of each school district
36 account.

37 5. Pay warrants issued by the county school superintendent and duly
38 endorsed by the person entitled to receive the monies.

39 6. On each property tax bill and each property tax statement prepared,
40 separately state and identify by name each school district's primary property
41 tax rate, the secondary property tax rate that is associated with overrides,
42 the secondary property tax rate that is associated with class A bonds and the
43 secondary property tax rate that is associated with class B bonds. For
44 purposes of this paragraph, "class A bonds" and "class B bonds" have the same
45 meanings prescribed in section 15-101.

1 Sec. 7. Retroactivity

2 Sections 2 through 6 of this act apply retroactively to from and after
3 June 30, 2001.

4 Sec. 8. Emergency

5 This act is an emergency measure that is necessary to preserve the
6 public peace, health or safety and is operative immediately as provided by
7 law.

APPROVED BY THE GOVERNOR MAY 23, 2002.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 24, 2002.



HOUSE FINAL PASSAGE
as per Joint Conference

Passed the House May 20, 2002,

by the following vote: 58 Ayes,

0 Nays, 2 Not Voting

with emergency

[Signature]

Speaker of the House

[Signature]

Chief Clerk of the House

SENATE FINAL PASSAGE
as per Joint Conference

Passed the Senate May 15, 2002,

by the following vote: 26 Ayes,

0 Nays, 4 Not Voting

with emergency

[Signature]

President of the Senate

[Signature]

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor

this 21 day of May, 2002,

at 10:21 o'clock A M.

[Signature]

Secretary to the Governor

Approved this 23rd day of

May, 2002,

at 3:02 o'clock P M.

[Signature]

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 24 day of May, 2002,

at 11:46 o'clock A M.

[Signature]

Secretary of State

S.B. 1232