

Conference Engrossed

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

CHAPTER 333

# SENATE BILL 1118

AN ACT

AMENDING SECTIONS 15-903 AND 15-904, 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 15-903, Arizona Revised Statutes, is amended to  
3 read:

4 15-903. Budget format

5 A. The superintendent of public instruction in conjunction with the  
6 auditor general shall prepare and prescribe a budget format to be utilized  
7 by all school districts on a school by school basis.

8 B. The budget format shall be designed to allow all school districts  
9 to plan and provide in detail for the use of available funds on a school by  
10 school basis. The budget format shall contain distinct sections for, but  
11 need not be limited to, maintenance and operation, debt service, special  
12 projects, capital outlay, adjacent ways and classroom site fund. The  
13 maintenance and operation section shall include, but need not be limited to,  
14 separate subsections for regular education programs, special education  
15 programs and operational expenditures for pupil transportation. Each  
16 subsection shall clearly distinguish classroom instruction expenditures. THE  
17 SECTIONS FOR INDIVIDUAL SCHOOLS SHALL ONLY CONTAIN AGGREGATE SUMMARIES BY  
18 MAJOR FUNCTION FOR THE MAINTENANCE AND OPERATION, UNRESTRICTED CAPITAL OUTLAY  
19 AND SOFT CAPITAL ALLOCATION FUNDS. A SCHOOL DISTRICT SHALL PREPARE BUDGETS  
20 FOR EACH INDIVIDUAL SCHOOL IN THE DISTRICT AND SHALL MAKE THESE INDIVIDUAL  
21 SCHOOL BUDGETS AVAILABLE TO THE PUBLIC ON REQUEST.

22 ~~1.~~ The special education program subsection shall include, but is not  
23 limited to, programs for each disability classification as defined in section  
24 15-761 and programs for gifted, vocational and technological education,  
25 remedial education and bilingual students. The total expenditures for each  
26 of these programs shall be included on the budget form.

27 ~~2.~~ The pupil transportation subsection shall include all operational  
28 expenditures relating to the transportation of pupils, including all  
29 operational expenditures within a contract if the school district contracts  
30 for pupil transportation.

31 C. The capital outlay section of the budget shall include separate  
32 subsections for unrestricted capital outlay and soft capital allocation. The  
33 soft capital allocation subsection shall include budgeted expenditures as  
34 prescribed in section 15-962. The unrestricted capital outlay subsection  
35 shall include budgeted expenditures for acquisitions by purchase,  
36 lease-purchase or lease of capital items as defined in the uniform system of  
37 financial records. These sections and subsections shall include:

38 1. Land, buildings and improvements to land and buildings, including  
39 labor and related employee benefits costs and material costs if work is  
40 performed by school district employees.

41 2. Furniture, furnishings, athletic equipment and other equipment,  
42 including computer software.

43 3. Pupil and nonpupil transportation vehicles and equipment, including  
44 all capital expenditures within a contract if the school district contracts  
45 for pupil transportation.

1           4. Textbooks and related printed subject matter materials adopted by  
2 the governing board.

3           5. Instructional aids.

4           6. Library books.

5           7. Payment of principal and interest on bonds.

6           ~~8. Repayment of monies received from the capital equity fund as~~  
7 ~~provided in section 15-1054, which shall be a separate subsection.~~

8           ~~9.~~ 8. School district administration emergency needs that are  
9 directly related to pupils.

10          D. The budget format shall contain distinct subsections for the  
11 following:

12           1. Special programs to improve academic achievement of pupils in  
13 kindergarten programs and grades one through three as provided in section  
14 15-482.

15           2. School plant funds.

16           3. Capital outlay budget increases as provided in section 15-481.

17           4. Property taxation including the following:

18           (a) The primary tax rates for the school district for the current year  
19 and the budget year.

20           (b) The secondary tax rates for maintenance and operation, K-3 and  
21 capital overrides for the school district for the current year and the budget  
22 year.

23           (c) The secondary tax rates for class A bonds for the school district  
24 for the current year and the budget year.

25           (d) The secondary tax rates for class B bonds for the school district  
26 for the current year and the budget year.

27           5. A DESCRIPTION OF ANY CORRECTIONS OR ADJUSTMENTS MADE TO THE BUDGET  
28 PURSUANT TO SECTION 15-915.

29          E. The budget format shall also contain:

30           1. A statement identifying proposed pupil-teacher ratios and  
31 pupil-staff ratios relating to the provision of special education services  
32 for the budget year.

33           2. A statement identifying the number of full-time equivalent  
34 certified employees.

35           3. If a governing board uses section 15-942 relating to the adjustment  
36 for rapid decline in student count, a statement identifying the actual per  
37 cent decline in student count and a statement identifying the additional  
38 allowable expenditures attributable to using the rapid decline provisions as  
39 provided in section 15-942.

40          F. The special projects section shall include budgeted expenditures  
41 for state special projects, including special adult projects, career  
42 education, deficiencies correction fund projects, building renewal fund  
43 projects and new school facilities fund projects, such federal special  
44 projects as ESEA title programs, vocational education and title IV Indian  
45 education, and other special projects.

1 G. A SCHOOL DISTRICT SHALL NOT MAKE EXPENDITURES FOR CAMPAIGN  
2 LITERATURE ASSOCIATED WITH SCHOOL DISTRICT OR CHARTER SCHOOL OFFICIALS. IF  
3 THE SUPERINTENDENT OF PUBLIC INSTRUCTION DETERMINES THAT A SCHOOL DISTRICT  
4 HAS VIOLATED THIS SUBSECTION, THE SUPERINTENDENT OF PUBLIC INSTRUCTION MAY  
5 WITHHOLD ANY PORTION OF THE SCHOOL DISTRICT'S APPORTIONMENT OF STATE AID.

6 G. H. The budget format shall include an electronic format that shall  
7 be submitted for each proposed, adopted and revised budget.

8 Sec. 2. Section 15-904, Arizona Revised Statutes, is amended to read:  
9 15-904. School district annual financial report; publication;

10 summary; exemption

11 A. The governing board of each school district shall publish an annual  
12 financial report on a school by school basis for the prior fiscal year by  
13 November 15. The auditor general in conjunction with the department of  
14 education shall prescribe the format of the financial report to be used by  
15 school districts. The financial report shall contain budgeted and actual  
16 expenditures for the preceding fiscal year and shall be prepared and  
17 distributed by October 15 by the school district with a copy to the county  
18 school superintendent. A copy of the annual financial report shall be  
19 submitted electronically by the school district to the superintendent of  
20 public instruction by October 15. The annual financial report shall be  
21 approved by the county school superintendent in an electronic procedure as  
22 prescribed by the department of education. School districts that are subject  
23 to section 15-914.01 are not required to send a copy to the county school  
24 superintendent.

25 B. In addition to the information required in subsection A of this  
26 section, the annual financial report shall contain detailed information on  
27 the SCHOOL DISTRICT budgeted and actual expenditures from the bond building  
28 fund, the soft capital allocation fund, the deficiencies correction fund, the  
29 building renewal fund and the new school facilities fund, including but not  
30 limited to information on classified salaries, employee benefits, interest  
31 and fiscal charges, capital lease agreements, land and improvements,  
32 buildings and improvements, furniture and equipment, technology and vehicles  
33 and transportation equipment for pupils. The information shall specify  
34 whether the expenditures are for SCHOOL DISTRICT renovation or for new  
35 construction, the cost per square foot, and land acquisition costs, as  
36 appropriate. THE REPORTING BY INDIVIDUAL SCHOOLS SHALL BE LIMITED TO ANNUAL  
37 EXPENDITURES AGGREGATED BY MAJOR FUNCTION FOR THE MAINTENANCE AND OPERATION,  
38 UNRESTRICTED CAPITAL OUTLAY AND SOFT CAPITAL ALLOCATION FUNDS.

39 C. Except as provided in subsection D of this section, the governing  
40 board shall publish, by November 15, the annual financial report for the  
41 school district on a school by school basis in a newspaper of general  
42 circulation within the school district or in the official newspaper of the  
43 county as defined in section 11-255 or the governing board may mail the  
44 annual financial report to each household in the school district. If the  
45 governing board chooses to publish the report in a newspaper, the size of the

1 newspaper print shall be at least eight-point type. The cost of publication  
2 or mailing shall be a charge against the school district. The publisher's  
3 affidavit of publication shall be filed by the governing board of the school  
4 district with the superintendent of public instruction within thirty days  
5 after publication.

6 D. The governing board may publish or mail a summary of the annual  
7 financial report in the same manner as provided in subsection C of this  
8 section. The auditor general in conjunction with the department of education  
9 shall prescribe the form of the summary of the annual financial report for  
10 use by the governing boards.

11 E. The superintendent of public instruction shall compile the  
12 financial reports of the school districts on a school by school basis and  
13 shall report to the governor and the legislature on or before January 15 of  
14 each year as provided in section 15-255.

15 Sec. 3. Extension of state aid or budget limit errors for  
16 certain school districts

17 Notwithstanding section 15-915, subsection A, paragraph 1, Arizona  
18 Revised Statutes, the superintendent of public instruction may allow a common  
19 school district that is not within a high school district and that had an  
20 average daily membership for kindergarten and grades one through eight of  
21 fewer than eighty-five pupils in fiscal year 1999-2000 to complete the  
22 correction of state aid errors or budget limit errors made in fiscal year  
23 1999-2000 no later than four years after the determination by the  
24 superintendent of public instruction of the miscalculation.

25 Sec. 4. Budget revisions

26 A school district in fiscal year 2001-2002 may reallocate the revenue  
27 control limit and capital outlay revenue limit between the maintenance and  
28 operations and the unrestricted portions of the budget for the 2001-2002  
29 school year using the provisions of the general budget limit that were  
30 available at the time of the original budget adoption.

31 Sec. 5. Exemption from state aid correction; early kindergarten  
32 and early first grade programs

33 Notwithstanding the provisions of Laws 2002, third special session,  
34 chapter 1, section 17, the superintendent of public instruction shall not  
35 reduce state aid in fiscal year 2001-2002 to a school district if the total  
36 student population did not exceed two thousand five hundred fifty students  
37 in fiscal years 1998-1999, 1999-2000 and 2000-2001 and that experienced a  
38 rapid decline in student population over the same fiscal years, pursuant to  
39 section 15-942, Arizona Revised Statutes, in part due to the elimination of  
40 the early kindergarten or early first grade programs.

41 Sec. 6. Emergency

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

~~APPROVED BY THE GOVERNOR JUNE 4, 2002.~~

~~FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 4, 2002.~~

Passed the House April 29, 2002,

by the following vote: 38 Ayes,

18 Nays, 4 Not Voting

[Signature]  
Speaker of the House

[Signature]  
Normans L. Moore  
Chief Clerk of the House

Passed the Senate February 13, 2002,

by the following vote: 29 Ayes,

1 Nays, 0 Not Voting

[Signature]  
President of the Senate

[Signature]  
Charmion Billington  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State

S.B. 1118

HOUSE FINAL PASSAGE  
as per Joint Conference

Passed the House May 23, 2002,

by the following vote: 49 Ayes,

2 Nays, 9 Not Voting

*With Emergency*

*Jake Flaherty*

Speaker of the House  
Pro Tempore

*Sprman L. Morse*

Chief Clerk of the House

SENATE FINAL PASSAGE  
as per Joint Conference

Passed the Senate May 23, 2002,

by the following vote: 24 Ayes,

0 Nays, 6 Not Voting

*With Emergency*

*Randall Smith*

President of the Senate

*Cherrin Bellington*

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor

this 23 day of May, 2002,

at 3:50 o'clock P. M.

*Sandra Ramirez*

Secretary to the Governor

Approved this 4<sup>th</sup> day of

June, 2002,

at 10:15 o'clock A. M.

*Janice Hull*

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 4 day of June, 2002,

at 5:31 o'clock P. M.

*Debra Bayless*

Secretary of State

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