Senate Engrossed House Bill

FILED

JANICE K. BREWER
SECRETARY OF STATE

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CHAPTER 287

HOUSE BILL 2211

AN ACT

AMENDING SECTIONS 5-504, 5-505, 5-507, 5-522, 5-523, 15-185, 15-901 AND 15-901.02, ARIZONA REVISED STATUTES; AMENDING SECTION 15-904, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 206, SECTION 1; AMENDING TITLE 15, CHAPTER 9, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-910.04; AMENDING SECTIONS 15-943, 15-945, 15-947, 15-947.01 AND 15-977, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 13, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1682.03; AMENDING SECTIONS 15-1851, 15-1852, 15-1853, 15-1854, 15-1855, 15-1871, 15-1874, 15-1875 AND 15-2011, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 16, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-2032; AMENDING SECTIONS 28-8101, 28-8103 AND 41-1276, ARIZONA REVISED STATUTES; REPEALING SECTIONS 41-3008.14 AND 41-3008.19, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 41-3010.24 AND 41-3018.19; REPEALING LAWS 2006, CHAPTER 375, SECTION 6; REPEALING LAWS 2007, CHAPTER 264, SECTION 14; MAKING APPROPRIATIONS; RELATING TO KINDERGARTEN THROUGH HIGHER EDUCATION BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 5-504, Arizona Revised Statutes, is amended to read:

5-504. Commission; director; powers and duties; definitions

A. The commission shall meet with the director not less than once each quarter to make recommendations and set policy, receive reports from the director and transact other business properly brought before the commission.

B. The commission shall oversee a state lottery to produce the maximum amount of net revenue consonant with the dignity of the state. To achieve these ends, the commission shall authorize the director to adopt rules in accordance with title 41, chapter 6. Rules adopted by the director may include provisions relating to the following:

1. Subject to the approval of the commission, the types of lottery games and the types of game play-styles to be conducted.

2. The method of selecting the winning tickets or shares for noncomputerized ~~on-line~~ ONLINE games, except that no method may be used which, in whole or in part, depends on the results of a dog race, a horse race or any sporting event.

3. The manner of payment of prizes to the holders of winning tickets or shares, including providing for payment by the purchase of annuities in the case of prizes payable in installments, except that the commission staff shall examine claims and may not pay any prize based on altered, stolen or counterfeit tickets or based on any tickets which fail to meet established validation requirements, including rules stated on the ticket or in the published game rules, and confidential validation tests applied consistently by the commission staff. No particular prize in a lottery game may be paid more than once, and in the event of a binding determination that more than one person is entitled to a particular prize, the sole remedy of the claimants is the award to each of them of an equal portion of the single prize.

4. The method to be used in selling tickets or shares, except that no elected official's name may be printed on such tickets or shares. The overall estimated odds of winning some prize or some cash prize, as appropriate, in a given game shall be printed on each ticket or share.

5. The licensing of agents to sell tickets or shares, except that a person WHO IS under ~~the age of~~ eighteen YEARS OF AGE shall not be licensed as an agent.

6. The manner and amount of compensation to be paid licensed sales agents necessary to provide for the adequate availability of tickets or shares to prospective buyers and for the convenience of the public, including provision for variable compensation based on sales volume.

7. Matters necessary or desirable for the efficient and economical operation and administration of the lottery and for the convenience of the purchasers of tickets or shares and the holders of winning tickets or shares.

C. The commission shall authorize the director to issue orders and shall approve orders issued by the director for the necessary operation of the lottery. Orders issued under this subsection may include provisions relating to the following:

1. The prices of tickets or shares in lottery games.

2. The themes, game play-styles, and names of lottery games and definitions of symbols and other characters used in lottery games, except that each ticket or share in a lottery game shall bear a unique distinguishable serial number.

3. The sale of tickets or shares at a discount for promotional purposes.

4. The prize structure of lottery games, including the number and size of prizes available. Available prizes may include free tickets in lottery games and merchandise prizes.

5. The frequency of drawings, if any, or other selections of winning tickets or shares, except that:

(a) All drawings shall be open to the public.

(b) The actual selection of winning tickets or shares may not be performed by an employee or member of the commission.

(c) Noncomputerized ~~on-line~~ ONLINE game drawings shall be witnessed by an independent observer.

6. Requirements for eligibility for participation in grand drawings or other runoff drawings, including requirements for the submission of evidence of eligibility within a shorter period than that provided for claims by section 5-518.

7. Incentive and bonus programs designed to increase sales of lottery tickets or shares and to produce the maximum amount of net revenue for this state.

D. Notwithstanding title 41, chapter 6 and subsection B of this section, the director, subject to the approval of the commission, may establish a policy, procedure or practice that relates to an existing ~~on-line~~ ONLINE game or a new ~~on-line~~ ONLINE game which is the same type and has the same type of game play-style as an ~~on-line~~ ONLINE game currently being conducted by the lottery or may modify an existing rule for an existing ~~on-line~~ ONLINE game or a new ~~on-line~~ ONLINE game which is the same type and has the same type of game play-style as an ~~on-line~~ ONLINE game currently being conducted by the lottery, including establishing or modifying the matrix for an ~~on-line~~ ONLINE game by giving notice of the establishment or modification at least thirty days before the effective date of the establishment or modification.

E. The commission shall maintain and make the following information available for public inspection at its offices during regular business hours:

1. A detailed listing of the estimated number of prizes of each particular denomination expected to be awarded in any instant game currently on sale.

2. After the end of the claim period prescribed by section 5-518, a listing of the total number of tickets or shares sold and the number of prizes of each particular denomination awarded in each lottery game.

3. Definitions of all play symbols and other characters used in each lottery game and instructions on how to play and how to win each lottery game.

F. Any information that is maintained by the commission and that would assist a person in locating or identifying a winning ticket or share or that would otherwise compromise the integrity of any lottery game is deemed confidential and is not subject to public inspection.

G. The commission ~~shall~~, in addition to other games authorized by this article, SHALL establish two special games for each year to be conducted concurrently with other lottery games authorized under subsection B of this section. The monies for prizes, for operating expenses and for payment to the commerce and economic development commission fund, as provided in section 5-522, subsection A, paragraph ~~3~~ 2, shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The monies shall be derived from the revenues of the special games, and monies for prizes do not become an expense to the lottery commission's annual appropriation as provided in section 5-505, subsection D and section 5-522, subsection ~~H~~ L. Monies saved from the revenues of the special games, by reason of operating efficiencies, shall become other revenue of the lottery commission and revert to the state general fund.

H. The commission ~~may~~, in addition to other games authorized by this article, MAY establish multistate lottery games to be conducted concurrently with other lottery games authorized under subsections B and ~~H~~ G of this section. The monies for prizes, for operating expenses and for payment to the local transportation assistance fund, as provided in section 28-8101, and the state general fund shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The monies shall be derived from the revenues of multistate lottery games.

I. The commission or director shall not establish or operate any ~~on-line~~ ONLINE or electronic keno game or any game played on the internet.

J. THE COMMISSION OR DIRECTOR SHALL NOT ESTABLISH OR OPERATE ANY LOTTERY GAME OR ANY TYPE OF GAME PLAY STYLE, EITHER INDIVIDUALLY OR IN COMBINATION, THAT USES GAMING DEVICES OR VIDEO LOTTERY TERMINALS AS THOSE TERMS ARE USED IN SECTION 5-601.02, INCLUDING MONITOR GAMES THAT PRODUCE OR DISPLAY OUTCOMES OR RESULTS MORE THAN ONCE PER HOUR.

~~J.~~ K. The director shall print, in a prominent location on each lottery ticket or share, a statement that help is available if a person has a problem with gambling and a toll free telephone number where problem gambling assistance is available. The director shall require all licensed agents to post a sign with the statement that help is available if a person has a problem with gambling and the toll free telephone number at the point of sale

as prescribed and supplied by the director. The requirements of this subsection apply to tickets and shares printed after July 18, 2000.

~~K.~~ L. For the purposes of this section:

1. "Game play-style" means the process or procedure that a player must follow to determine if a lottery ticket or share is a winning ticket or share.

2. "Matrix" means the odds of winning a prize and the prize payout amounts in a given game.

Sec. 2. Section 5-505, Arizona Revised Statutes, is amended to read:

5-505. Apportionment of revenue

A. Not more than eighteen and one-half per cent of the total annual revenues accruing from the sale of lottery tickets or shares and from all other sources shall be deposited in the state lottery fund established ~~pursuant to~~ BY section 5-521 to be expended for the following:

1. The payment of costs incurred in the operation and administration of the lottery, including the expenses of the commission and the costs resulting from any contract or contracts entered into for consulting or operational services~~, or for promotional and advertising services~~. ~~Not more than four per cent of the total annual gross revenues of the lottery shall be expended for promotional or advertising services.~~

2. Independent audits, which shall be performed annually in addition to the audits required by section 5-524.

3. Incentive programs for lottery sales agents and lottery employees.

4. Payment of compensation to licensed sales agents necessary to provide for the adequate availability of tickets or services to prospective buyers and for the convenience of the public. Compensation of licensed sales agents shall be at least ~~six~~ FIVE and one-half per cent but not more than ~~seven~~ EIGHT per cent of the price of each ticket or share that a retail sales agent sells in instant games and ~~on-line~~ ONLINE games, less the price of any tickets or shares that are voided.

5. The payment of reasonable fees to redemption agents as authorized by section 5-519.

6. The purchase or lease of lottery equipment, tickets and materials.

~~B. Not less than twenty-nine per cent of the total annual revenues accruing from the sale of lottery tickets or shares in on-line games and not less than twenty-one and one-half per cent of the total annual revenues accruing from the sale of lottery tickets or shares in instant games shall be deposited in the state lottery fund established pursuant to section 5-521 to be used as prescribed in section 5-522, subsection A, paragraphs 3, 4, 5 and 6, and section 5-522, subsections B, C, D and E.~~

~~C.~~ B. Not less than fifty per cent of the total annual revenues accruing from the sale of lottery tickets or shares shall be deposited in the state lottery prize fund established ~~pursuant to~~ BY section 5-523 for payment of prizes to the holders of winning tickets or shares or for other purposes provided for in section 5-518.

C. ALL OTHER REVENUES ACCRUING FROM THE SALE OF LOTTERY TICKETS OR SHARES IN ONLINE GAMES OR INSTANT GAMES SHALL BE DEPOSITED IN THE STATE LOTTERY FUND ESTABLISHED BY SECTION 5-521 TO BE USED AS PRESCRIBED BY SECTION 5-522.

D. Except for monies for prizes expended as provided in section 5-504, subsection ~~H~~ G and section 41-1505.10, monies expended under subsection A of this section shall be subject to legislative appropriation.

Sec. 3. Section 5-507, Arizona Revised Statutes, is amended to read:

5-507. Monthly reports; annual reports

A. The director shall make a monthly report to the commission, the governor, the speaker of the house of representatives and the president of the senate. The monthly report shall include the total lottery revenue, prize disbursements and other expenses for the preceding month.

B. THE DIRECTOR SHALL MAKE A REPORT ON OR BEFORE AUGUST 15 OF EACH YEAR TO THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING CONTAINING:

1. A SUMMARY OF THE CRITERIA USED TO EVALUATE EMPLOYEE PERFORMANCE AND DISTRIBUTION OF ANY APPROPRIATION FOR THE PRECEDING FISCAL YEAR AS PERFORMANCE PAY.

2. AN ACCOUNTING OF TOTAL DISTRIBUTIONS OF THAT APPROPRIATION.

3. THE PERCENTAGES OF THAT DISTRIBUTION THAT WERE BASED ON INDIVIDUAL EMPLOYEE PERFORMANCE AND ON LOTTERY SALES GOALS.

~~B.~~ C. The commission shall make an annual report to the governor, the speaker of the house of representatives and the president of the senate. The annual report shall include a full and complete statement of lottery revenues, prize disbursements and other expenses for the preceding years, and recommendations for amendments to this chapter as the commission deems necessary or desirable.

Sec. 4. Section 5-522, Arizona Revised Statutes, is amended to read:

5-522. Use of monies in state lottery fund; report

A. The monies in the state lottery fund shall be expended only for the following purposes and in the order provided:

1. For the expenses of the commission incurred in carrying out its powers and duties and in the operation of the lottery.

2. For payment to the commerce and economic development commission fund established by section 41-1505.10 of not less than twenty-one and one-half per cent of the revenues received from the sale of two special lottery games conducted for the benefit of economic development.

3. Except as provided in subsection F of this section, for payment to the local transportation assistance fund established by section 28-8101 of not less than ~~twenty-nine per cent of the revenues received from the sale of multistate lottery games,~~ NINE MILLION DOLLARS, INCREASING EACH YEAR THAT TOTAL REVENUES TO THE STATE LOTTERY FUND INCREASE up to a maximum of eighteen

million dollars each fiscal year, EXCEPT THAT PAYMENTS PURSUANT TO THIS PARAGRAPH SHALL NOT INCREASE BY MORE THAN TEN PER CENT PER YEAR.

~~4. For payment to the state general fund of not less than twenty-one and one-half per cent of the revenues received from the sale of any instant bingo games conducted by the state lottery and not less than twenty-nine per cent of the revenues received from the sale of any on-line three-number games conducted by the state lottery, up to a maximum of ten million dollars each fiscal year, except that if on or before June 1 of each fiscal year the state lottery director determines that monies available to the Arizona state parks board heritage fund under subsection D of this section may not equal ten million dollars in that fiscal year or that the monies available to the Arizona game and fish commission heritage fund under subsection D of this section may not equal ten million dollars in that fiscal year, or both, the director shall authorize deposits to the Arizona state parks board heritage fund in an amount so that the total monies in that fund in that fiscal year equal ten million dollars or to the Arizona game and fish commission heritage fund in an amount so that the total monies in that fund in that fiscal year equal ten million dollars, or both. The state lottery director shall not make any deposits pursuant to this paragraph until after the director's determination each fiscal year.~~

~~5. Of the monies remaining in the state lottery fund from the sale of instant bingo games and on-line three-number games each fiscal year, thirty per cent shall be allocated to the funds and programs described in subsection E of this section and seventy per cent shall be deposited in the local transportation assistance fund established by section 28-8101. The director shall not allocate more than the amount specified in subsection E of this section for each fiscal year to the funds and programs described in subsection E of this section from the state lottery fund pursuant to this paragraph and subsection E of this section. A maximum of eighteen million dollars may be deposited in the local transportation assistance fund each fiscal year from the state lottery fund pursuant to this paragraph and paragraph 3 of this subsection.~~

B. Of the monies remaining in the state lottery fund after the appropriations authorized in subsection A of this section, ~~seventy-five per cent~~ up to a maximum of twenty-three million dollars each fiscal year shall be deposited in the local transportation assistance fund established by section 28-8101 and ~~twenty-five per cent~~ up to a maximum of seven million six hundred fifty thousand dollars each fiscal year shall be deposited in the county assistance fund established by section 41-175. Monies distributed pursuant to this subsection shall be in addition to monies distributed pursuant to subsection A, ~~paragraphs~~ PARAGRAPH 3 ~~and 5~~ of this section.

C. Notwithstanding subsection B of this section, if the state lottery director determines at the beginning of any fiscal year that monies available to cities, towns and counties under this section may not equal thirty million six hundred fifty thousand dollars, the director shall not authorize deposits

to the county assistance fund until the deposits to the local transportation assistance fund equal twenty-three million dollars.

D. Of the monies remaining in the state lottery fund each fiscal year after appropriations and deposits authorized in subsections A, B and C of this section, ten million dollars shall be deposited in the Arizona state parks board heritage fund established by section 41-502 and ten million dollars shall be deposited in the Arizona game and fish commission heritage fund established by section 17-297.

E. Of the monies remaining in the state lottery fund each fiscal year after appropriations and deposits authorized in subsections A, B, C and D of this section, and appropriations and deposits to the local transportation assistance fund authorized by this section, five million dollars shall be allocated to the department of economic security for the healthy families program established by section 8-701, four million dollars shall be allocated to the Arizona board of regents for the Arizona area health education system established by section 15-1643, three million dollars shall be allocated to the department of health services to fund the teenage pregnancy prevention programs established in Laws 1995, chapter 190, sections 2 and 3, two million dollars shall be allocated to the department of health services for the health start program established by section 36-697, two million dollars shall be deposited in the disease control research fund established by section 36-274 and one million dollars shall be allocated to the department of health services for the federal women, infants and children food program. The allocations in this subsection shall be adjusted annually according to changes in the GDP price deflator as defined in section 41-563 and the allocations are exempt from the provisions of section 35-190, relating to lapsing of appropriations. If there are not sufficient monies available pursuant to this subsection, the allocation of monies for each program shall be reduced on a pro rata basis.

F. Notwithstanding subsection A, paragraph 3 of this section, if the state lottery director determines that monies available to the state general fund ~~from the sale of multistate lottery games~~ may not equal thirty-one million dollars in a fiscal year, the director shall not authorize deposits to the local transportation assistance fund pursuant to subsection A, paragraph 3 of this section until the deposits to the state general fund ~~from the sale of multistate lottery games~~ equal thirty-one million dollars in a fiscal year.

G. Of the monies remaining in the state lottery fund each fiscal year after appropriations and deposits authorized in subsections A through F of this section, one million dollars or the remaining balance in the fund, whichever is less, is appropriated to the department of economic security for grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services. The department of economic security shall submit a report on the amounts, recipients, purposes and results of each grant to the governor, the speaker

of the house of representatives and the president of the senate on or before December 31 of each year for the prior fiscal year and shall provide a copy of this report to the secretary of state and the director of the Arizona state library, archives and public records.

H. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS AUTHORIZED IN SUBSECTIONS A THROUGH G OF THIS SECTION, AND AFTER A TOTAL OF AT LEAST FORTY-SIX MILLION FOUR HUNDRED NINETY THOUSAND DOLLARS HAS BEEN DEPOSITED IN THE STATE GENERAL FUND, THE REMAINING BALANCE IN THE STATE LOTTERY FUND SHALL BE DEPOSITED IN THE UNIVERSITY CAPITAL IMPROVEMENT LEASE-TO-OWN AND BOND FUND ESTABLISHED BY SECTION 15-1682.03, UP TO A MAXIMUM OF EIGHTY PER CENT OF THE TOTAL ANNUAL PAYMENTS OF LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO BY THE ARIZONA BOARD OF REGENTS.

I. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS AUTHORIZED IN SUBSECTIONS A THOROUGH H OF THIS SECTION, TEN MILLION DOLLARS OR THE REMAINING BALANCE IN THE FUND, WHICHEVER IS LESS, IS APPROPRIATED TO THE DEPARTMENT OF ENVIRONMENTAL QUALITY'S WATER SUPPLY DEVELOPMENT FUND LINE ITEM.

J. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS AUTHORIZED IN SUBSECTIONS A THROUGH I OF THIS SECTION, THREE MILLION DOLLARS OR THE REMAINING BALANCE IN THE FUND, WHICHEVER IS LESS, IS APPROPRIATED TO THE COMMUNITY PROTECTION INITIATIVE FUND ESTABLISHED BY SECTION 37-641.

~~H.~~ K. All monies remaining in the state lottery fund after the appropriations and deposits authorized in this section shall be deposited in the state general fund.

~~I.~~ L. Except for monies expended for prizes as provided in section 5-504, subsection G and section 41-1505.10, monies expended under subsection A of this section are subject to legislative appropriation.

Sec. 5. Section 5-523, Arizona Revised Statutes, is amended to read:

5-523. <u>State lottery prize fund; setoff for state debts; notification to department of economic security</u>

A. The state lottery prize fund is established. That portion of the gross proceeds which is apportioned pursuant to section 5-505, subsection ~~C~~ B shall be deposited, pursuant to sections 35-146 and 35-147, directly in the state lottery prize fund as the commission receives such proceeds and shall be available for payment of prizes to the holders of winning tickets or shares or for the other purposes provided for in section 5-518. Procedures for payments to winners from this fund shall be established by rule or order of the commission. Notwithstanding any other statute, transfers or payments to or from the state lottery prize fund are not appropriations by the legislature, and deposits in the state lottery prize fund are not subject to appropriation by the legislature.

B. Payments to winners which are payable by the commission or lottery redemption agents pursuant to this section in an amount of six hundred dollars or more are subject to setoff under section 5-525.

C. The commission shall furnish the department of economic security with the names and the social security numbers of persons who are paid lottery prizes or winnings in an amount of six hundred dollars or more pursuant to this section for purposes prescribed by section 41-1965. The department of economic security shall pay the commission for the cost of furnishing the information.

Sec. 6. Section 15-185, Arizona Revised Statutes, is amended to read:

15-185. Charter schools; financing; civil penalty; definitions

A. Financial provisions for a charter school that is sponsored by a school district governing board are as follows:

1. The charter school shall be included in the district's budget and financial assistance calculations pursuant to paragraph 3 of this subsection and chapter 9 of this title, except for chapter 9, article 4 of this title. The charter of the charter school shall include a description of the methods of funding the charter school by the school district. The school district shall send a copy of the charter and application, including a description of how the school district plans to fund the school, to the state board of education before the start of the first fiscal year of operation of the charter school. The charter or application shall include an estimate of the student count for the charter school for its first fiscal year of operation. This estimate shall be computed pursuant to the requirements of paragraph 3 of this subsection.

2. A school district is not financially responsible for any charter school that is sponsored by the state board of education or the state board for charter schools.

3. A school district that sponsors a charter school may:

(a) Increase its student count as provided in subsection B, paragraph 2 of this section during the first year of the charter school's operation to include those charter school pupils who were not previously enrolled in the school district. A charter school sponsored by a school district governing board is eligible for the assistance prescribed in subsection B, paragraph 4 of this section. The soft capital allocation as provided in section 15-962 for the school district sponsoring the charter school shall be increased by the amount of the additional assistance. The school district shall include the full amount of the additional assistance in the funding provided to the charter school.

(b) Compute separate weighted student counts pursuant to section 15-943, paragraph 2, subdivision (a) for its noncharter school versus charter school pupils in order to maintain eligibility for small school district support level weights authorized in section 15-943, paragraph 1 for its noncharter school pupils only. The portion of a district's student count

that is attributable to charter school pupils is not eligible for small school district support level weights.

4. If a school district uses the provisions of paragraph 3 of this subsection, the school district is not eligible to include those pupils in its student count for the purposes of computing an increase in its revenue control limit and district support level as provided in section 15-948.

5. A school district that sponsors a charter school is not eligible to include the charter school pupils in its student count for the purpose of computing an increase in its capital outlay revenue limit as provided in section 15-961, subsection C, except that if the charter school was previously a school in the district, the district may include in its student count any charter school pupils who were enrolled in the school district in the prior year.

6. A school district that sponsors a charter school is not eligible to include the charter school pupils in its student count for the purpose of computing the revenue control limit which is used to determine the maximum budget increase as provided in chapter 4, article 4 of this title unless the charter school is located within the boundaries of the school district.

7. If a school district converts one or more of its district public schools to a charter school and receives assistance as prescribed in subsection B, paragraph 4 of this section, and subsequently converts the charter school back to a district public school, the school district shall repay the state the total additional assistance received for the charter school for all years that the charter school was in operation. The repayment shall be in one lump sum and shall be reduced from the school district's current year equalization assistance. The school district's general budget limit shall be reduced by the same lump sum amount in the current year.

B. Financial provisions for a charter school that is sponsored by the state board of education or the state board for charter schools are as follows:

1. The charter school shall calculate a base support level as prescribed in section 15-943, except that sections 15-941 and 15-942 do not apply to these charter schools.

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. After the first 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, or the adjusted average daily membership, as prescribed in section 15-902, of the charter school. Before the one hundredth day or two hundredth day in session, as applicable, the state board of education or the state board for charter schools 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 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 utilize section 15-855 for the purposes of this section. The charter school and the department of education shall prescribe procedures for determining average daily attendance and average daily membership.

4. Equalization assistance for the charter school shall be determined by adding the amount of the base support level and additional assistance. The amount of the additional assistance is one thousand four hundred ~~forty-five~~ SEVENTY-FOUR dollars ~~twenty-five~~ SIXTEEN cents per student count in kindergarten programs and grades one through eight and one thousand ~~six~~ SEVEN hundred ~~eighty-four~~ EIGHTEEN dollars ~~forty-one~~ TEN cents 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 in twelve equal installments of the total amount to be apportioned during the fiscal year on the fifteenth day of each month of the fiscal year.

6. Notwithstanding paragraph 5 of this subsection, if sufficient appropriated monies are available after the first forty days in session of the current year, a charter school may request additional state monies to fund the increased state aid due to anticipated student growth through the first one hundred days or two hundred days in session, as applicable, of the current year as provided in section 15-948. In no event shall a charter school have received more than three-fourths of its total apportionment before April 15 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.

7. The charter school shall not charge tuition, levy taxes or issue bonds.

8. 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 2, subdivisions (a) and (b) and daily attendance as prescribed in section 15-901, subsection A, paragraph 6, for that pupil in the school district and the charter school shall not exceed 1.0, except that if the pupil is enrolled

in both a charter school and a joint technological education district and resides within the boundaries of a school district participating in the joint technological education district, the sum of the average daily membership for that pupil in the charter school and the joint technological education district shall not exceed 1.25. 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. Upon 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, except that if the pupil is enrolled in both a charter school and a joint technological education district and resides within the boundaries of a school district participating in the joint technological education district, the sum of the average daily membership for that pupil in the charter school and the joint technological education district shall be reduced to 1.25 and shall be apportioned between the charter school and the joint technological education district based on the percentage of total time that the pupil is enrolled or in attendance in the charter school and the joint technological education district. The uniform system of financial records shall include guidelines for the apportionment of 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 or the state board for charter schools, the total of the base support level, the capital outlay revenue limit, the soft capital allocation and the additional assistance shall not be less than zero.

3. For a charter school sponsored by a school district, the base support level for the school district shall not be reduced by more than the amount that the charter school increased the district's base support level, capital outlay revenue limit and soft capital allocation.

E. If a charter school was a district public school in the prior year and is now being operated for or by the same school district and sponsored by the state board of education, the state board for charter schools or a school district governing board, the reduction in subsection D of this section applies. The reduction to the base support level of the charter school or the sponsoring district of the charter school shall equal the sum of the base support level and the 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 per cent of the monthly apportionment of state aid that would otherwise be due the charter school. The department of education 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 of education 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 one thousand dollars 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 that a charter school is out of compliance with the fingerprinting requirements and if the charter school provides proof within forty-eight hours of 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 one thousand dollars per occurrence if the sponsor determines that the charter school subsequently violates the fingerprinting requirements. Civil penalties pursuant to this ~~section~~ 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 and section 37-521, subsection B.

K. For the purposes of this section:

1. "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 P.L. 81-874 monies. The auditor general shall determine which federal or state monies meet the definition in this paragraph.

2. "Operated for or by the same school district" means the charter school is either governed by the same district governing board or operated by the district in the same manner as other traditional schools in the district or is operated by an independent party that has a contract with the school district. The auditor general and the department of education shall determine which charter schools meet the definition in this subsection.

Sec. 7. 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 attendance" or "ADA" means actual average daily attendance through the first one hundred days or two hundred days in session, as applicable.

2. "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 formally withdrawn from schools and students absent for ten consecutive school days, except for excused absences as identified by the department of education. For computation purposes, the effective date of withdrawal shall be retroactive to the last day of actual attendance of the student.

(a) "Fractional student" means:

(i) For common schools, until fiscal year 2001-2002, a preschool child who is enrolled in a program for preschool children with disabilities of at least three hundred sixty minutes each week or a kindergarten student at least five years of age prior to January 1 of the school year and enrolled in a school kindergarten program that meets at least three hundred forty-six instructional hours during the minimum number of days required in a school

year as provided in section 15-341. In fiscal year 2001-2002, the kindergarten program shall meet at least three hundred forty-eight hours. In fiscal year 2002-2003, the kindergarten program shall meet at least three hundred fifty hours. In fiscal year 2003-2004, the kindergarten program shall meet at least three hundred fifty-two hours. In fiscal year 2004-2005, the kindergarten program shall meet at least three hundred fifty-four hours. In fiscal year 2005-2006 and each fiscal year thereafter, the kindergarten program shall meet at least three hundred fifty-six hours. Lunch periods and recess periods may not be included as part of the instructional hours unless the child's individualized education program requires instruction during those periods and the specific reasons for such instruction are fully documented. 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.

(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 in a recognized high school and who is taught in less than twenty instructional hours per week prorated for any week with fewer than five school days. A part-time high 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 a full-time instructional program as defined in subdivision (c) of this paragraph.

(b) "Full-time student" means:

(i) For common schools, a student who is at least six years of age prior to 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. Until fiscal year 2001-2002, first, second and third grade students, ungraded students at least six, but under nine, years of age by September 1 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 six hundred ninety-two hours during the minimum number of days required in a school year as provided in section 15-341. In fiscal year 2001-2002, the program shall meet at least six hundred ninety-six hours. In fiscal year 2002-2003, the program shall meet at least seven hundred hours. In fiscal year 2003-2004, the program shall meet at least seven hundred four hours. In fiscal year 2004-2005, the program shall meet at least seven hundred eight hours. In fiscal year 2005-2006 and in each fiscal year

thereafter, the program shall meet at least seven hundred twelve hours. Until fiscal year 2001-2002, fourth, fifth and sixth grade students or ungraded students at least nine, but under twelve, years of age by September 1 must be enrolled in an instructional program that meets for a total of at least eight hundred sixty-five hours during the minimum number of school days required in a school year as provided in section 15-341. In fiscal year 2001-2002, the program shall meet at least eight hundred seventy hours. In fiscal year 2002-2003, the program shall meet at least eight hundred seventy-five hours. In fiscal year 2003-2004, the program shall meet at least eight hundred eighty hours. In fiscal year 2004-2005, the program shall meet at least eight hundred eighty-five hours. In fiscal year 2005-2006 and each fiscal year thereafter, the program shall meet at least eight hundred ninety hours. Until fiscal year 2001-2002, seventh and eighth grade students or ungraded students at least twelve, but under fourteen, years of age by September 1 must be enrolled in an instructional program that meets for a total of at least one thousand thirty-eight hours during the minimum number of days required in a school year as provided in section 15-341. In fiscal year 2001-2002, the program shall meet at least one thousand forty-four hours. In fiscal year 2002-2003, the program shall meet at least one thousand fifty hours. In fiscal year 2003-2004, the program shall meet at least one thousand fifty-six hours. In fiscal year 2004-2005, the program shall meet at least one thousand sixty-two hours. In fiscal year 2005-2006 and each fiscal year thereafter, the program shall meet at least one thousand sixty-eight hours. Lunch periods and recess periods may not be included as part of the instructional hours unless the student is a child with a disability and the child's individualized education program requires instruction during those periods and the specific reasons for such instruction are fully documented.

(ii) For high schools, except as provided in section 15-105, a student not graduated from the highest grade taught in the school district, or an ungraded student at least fourteen years of age by September 1, and enrolled in at least a full-time instructional program of subjects that count toward graduation as defined by the state board of education in a recognized high school. A full-time student shall not be counted more than once for computation of average daily membership.

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

(c) "Full-time instructional program" means:

(i) Through fiscal year 2000-2001, at least 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 hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(ii) For fiscal year 2001-2002, an instructional program that meets at least a total of seven hundred four hours during the minimum number of days required and includes at least 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-two hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(iii) For fiscal year 2002-2003, an instructional program that meets at least a total of seven hundred eight hours during the minimum number of days required and includes at least 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-two hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(iv) For fiscal year 2003-2004, an instructional program that meets at least a total of seven hundred twelve hours during the minimum number of days required and includes at least 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, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(v) For fiscal year 2004-2005, an instructional program that meets at least a total of seven hundred sixteen hours during the minimum number of days required and includes at least 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, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(vi) For fiscal year 2005-2006 and each fiscal year thereafter, an instructional program that meets at least a total of seven hundred twenty hours during the minimum number of days required and includes at least 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, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

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

4. "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 grades one through eight.

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

6. "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, and 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 forty-six hours but is less than six hundred ninety-two 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, ungraded and at least six, but under nine, years of age by September 1 or ungraded group B children with disabilities and at least five, but under six, years of age by September 1 attends more than three-quarters of the instructional time scheduled for the day.

(iii) Of the fourth, fifth or sixth grades or ungraded and at least nine, but under twelve, years of age by September 1 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 or ungraded and at least twelve, but under fourteen, years of age by September 1 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 not including lunch periods and recess periods, except as provided in paragraph 2, 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 or ungraded schools in which the pupil is at least fourteen years of age by September 1, 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 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 or ungraded schools in which the pupil is at least fourteen years of age by September 1, 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 which 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.

7. "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 his 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 his 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.

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

9. "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 1785) 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 1785) 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.

10. "Enrolled" or "enrollment" means when a pupil is currently registered in the school district.

11. "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.

12. "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 which is allocated to teaching high school subjects with permission of the state board of education.

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

14. "Student count" means average daily membership as prescribed in this subsection for the fiscal year prior to 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.

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

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

17. "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.

18. "Unified school district" means a political subdivision of the 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:

~~(a) For fiscal year 2006-2007, three thousand one hundred thirty-three dollars fifty-three cents.~~

~~(b)~~ (a) For fiscal year 2007-2008, three thousand two hundred twenty-six dollars eighty-eight cents.

(b) FOR FISCAL YEAR 2008-2009, THREE THOUSAND TWO HUNDRED NINETY-ONE DOLLARS FORTY-TWO CENTS.

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 school children 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. "ED, MIMR, SLD, SLI and OHI" means programs for children with emotional disabilities, mild mental retardation, a specific learning disability, a speech/language impairment and other health impairments.

7. "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.

8. "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.

9. "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.

10. "Group A" means educational programs for career exploration, a specific learning disability, an emotional disability, mild mental retardation, remedial education, a speech/language impairment, homebound, bilingual, preschool moderate delay, preschool speech/language delay, other health impairments and gifted pupils.

11. "Group B" means educational improvements for pupils in kindergarten programs and grades one through three, educational programs for autism, a hearing impairment, moderate mental retardation, multiple disabilities, multiple disabilities with severe sensory impairment, orthopedic impairments, preschool severe delay, severe mental retardation 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.

12. "HI" means programs for pupils with hearing impairment.

13. "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.

14. "K" means kindergarten programs.

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

16. "MD-R, A-R and SMR-R" means resource programs for pupils with multiple disabilities, autism and severe mental retardation.

17. "MD-SC, A-SC and SMR-SC" means self-contained programs for pupils with multiple disabilities, autism and severe mental retardation.

18. "MDSSI" means a program for pupils with multiple disabilities with severe sensory impairment.

19. "MOMR" means programs for pupils with moderate mental retardation.

20. "OI-R" means a resource program for pupils with orthopedic impairments.

21. "OI-SC" means a self-contained program for pupils with orthopedic impairments.

22. "PSD" means preschool programs for children with disabilities as provided in section 15-771.

23. "P-SD" means programs for children who meet the definition of preschool severe delay as provided in section 15-771.

24. "Qualifying tax rate" means the qualifying tax rate specified in section 15-971 applied to the assessed valuation used for primary property taxes.

25. "Small isolated school district" means a school district which 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 which 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 which 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.

26. "Small school district" means a school district which 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 which is fewer than thirty miles by the most reasonable route from another school which 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.

27. "Transportation revenue control limit" means the transportation revenue control limit computed as prescribed in section 15-946.

28. "Transportation support level" means the support level for pupil transportation operating expenses as provided in section 15-945.

29. "VI" means programs for pupils with visual impairments.

30. "Voc. Ed." means career and technical education and vocational education programs, as defined in section 15-781.

Sec. 8. Section 15-901.02, Arizona Revised Statutes, is amended to read:

15-901.02. Voluntary full-day kindergarten instruction

A school district or charter school may offer full-day kindergarten instruction to pupils who meet the enrollment requirements for kindergarten programs. Parents of pupils who meet the enrollment requirements for voluntary kindergarten programs in a school district or charter school that offers full-day kindergarten instruction may choose either half-day kindergarten instruction or full-day kindergarten instruction. If a ~~school district or~~ charter school chooses to offer voluntary full-day kindergarten instruction, any necessary capital monies needed to implement voluntary full-day kindergarten instruction shall be provided by the ~~school district or~~ charter school.

Sec. 9. Section 15-904, Arizona Revised Statutes, as amended by Laws 2008, chapter 206, section 1, is amended to read:

15-904. School district annual financial report; publication; summary

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

B. In addition to the information required in subsection A of this section, the annual financial report shall contain detailed information on the school district budgeted and actual expenditures from the bond building fund, the soft capital allocation fund, the deficiencies correction fund, the building renewal fund and the new school facilities fund, including but not limited to information on classified salaries, employee benefits, interest and fiscal charges, capital lease agreements, land and improvements, buildings and improvements, furniture and equipment, technology and vehicles and transportation equipment for pupils. The information shall specify whether the expenditures are for school district renovation or for new construction, the cost per square foot, and land acquisition costs, as appropriate. ~~Beginning with fiscal year 2006-2007, school districts shall report by individual schools annual expenditures for maintenance and operations, unrestricted capital outlay, soft capital, deficiencies correction and building renewal.~~

C. Except as provided in subsection D of this section, the governing board shall publish, by November 15, the annual financial report for the school district either in a newspaper of general circulation within the school district, by electronic transmission of the information to the department of education for posting on the department's website or in the official newspaper of the county as defined in section 11-255 or the governing board may mail the annual financial report for the school district to each household in the school district. If the governing board chooses to transmit the report electronically to the department of education, the school district shall provide a link on the school district's website to the report on the department's website. If the governing board chooses to publish the report in a newspaper, the size of the newspaper print shall be at least eight-point type. The cost of publication or mailing shall be a charge against the school district. The publisher's affidavit of publication shall be filed by the governing board of the school district with the superintendent of public instruction within thirty days after publication.

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

E. The superintendent of public instruction shall compile the financial reports of the school districts, including expenditure data for federal and state projects, and shall report to the governor and the legislature on or before January 15 of each year as provided in section 15-255.

Sec. 10. Title 15, chapter 9, article 1, Arizona Revised Statutes, is amended by adding section 15-910.04, to read:

15-910.04. <u>School district budgets; actual utility costs; adjustment; definitions</u>

A. FOR FISCAL YEAR 2009-2010, A SCHOOL DISTRICT MAY BUDGET FOR ACTUAL UTILITY COSTS BY ADJUSTING ITS REVENUE CONTROL LIMIT BY AN AMOUNT COMPUTED AS FOLLOWS:

1. DETERMINE THE AVERAGE AMOUNT THAT THE SCHOOL DISTRICT EXPENDED FOR TOTAL UTILITY COSTS IN FISCAL YEARS 2006-2007 AND 2007-2008.

2. SUBTRACT FROM THE AMOUNT DETERMINED IN PARAGRAPH 1 OF THIS SUBSECTION THE AMOUNT EXPENDED FOR UTILITIES AS REPORTED IN THE UTILITY EXPENDITURES LINE IN THE MAINTENANCE AND OPERATION SECTION OF THE SCHOOL DISTRICT'S BUDGET IN FISCAL YEAR 2007-2008.

3. MULTIPLY THE AMOUNT DETERMINED IN PARAGRAPH 2 OF THIS SUBSECTION BY 0.90.

B. FOR FISCAL YEAR 2010-2011, A SCHOOL DISTRICT MAY BUDGET FOR ACTUAL UTILITY COSTS BY ADJUSTING ITS REVENUE CONTROL LIMIT BY AN AMOUNT COMPUTED AS FOLLOWS:

1 1. DETERMINE THE AVERAGE AMOUNT THAT THE SCHOOL DISTRICT EXPENDED FOR
2 TOTAL UTILITY COSTS IN FISCAL YEARS 2007-2008 AND 2008-2009.
3 2. SUBTRACT FROM THE AMOUNT DETERMINED IN PARAGRAPH 1 OF THIS
4 SUBSECTION THE AMOUNT EXPENDED FOR UTILITIES AS REPORTED IN THE UTILITY
5 EXPENDITURES LINE IN THE MAINTENANCE AND OPERATION SECTION OF THE SCHOOL
6 DISTRICT'S BUDGET IN FISCAL YEAR 2008-2009.
7 3. MULTIPLY THE AMOUNT IN PARAGRAPH 2 OF THIS SUBSECTION BY 0.90.
8 C. FOR FISCAL YEARS 2011-2012 THROUGH 2020-2021, A SCHOOL DISTRICT MAY
9 BUDGET FOR ACTUAL UTILITY COSTS BY ADJUSTING ITS REVENUE CONTROL LIMIT BY AN
10 AMOUNT COMPUTED AS FOLLOWS:
11 1. DETERMINE THE AVERAGE AMOUNT EXPENDED FOR UTILITIES FOR THE TWO
12 PREVIOUS FISCAL YEARS AS REPORTED IN THE UTILITY EXPENDITURES LINE IN THE
13 MAINTENANCE AND OPERATION SECTION OF THE SCHOOL DISTRICT'S BUDGET.
14 2. SUBTRACT FROM THE AMOUNT DETERMINED IN PARAGRAPH 1 OF THIS
15 SUBSECTION THE AMOUNT DETERMINED IN SUBSECTION B, PARAGRAPH 2 OF THIS
16 SECTION, INCREASED BY THE TOTAL PERCENTAGE INCREASE IN THE REVENUE CONTROL
17 LIMIT FROM FISCAL YEAR 2008-2009 TO THE ACTUAL YEAR UTILIZED IN THE
18 CALCULATION AS PROVIDED IN THIS SECTION.
19 3. MULTIPLY THE AMOUNT IN PARAGRAPH 2 OF THIS SUBSECTION BY 0.90.
20 D. THE ADJUSTMENT TO THE REVENUE CONTROL LIMIT PRESCRIBED IN THIS
21 SECTION SHALL NOT BE INCLUDED IN THE CALCULATION OF THE MAXIMUM OVERRIDE
22 AMOUNT PURSUANT TO SECTIONS 15-481 AND 15-482.
23 E. FOR THE PURPOSES OF THIS SECTION:
24 1. "ACTUAL UTILITY COSTS" MEANS OPERATIONAL COSTS FOR WHICH A SCHOOL
25 DISTRICT IS BILLED BY A SERVICE PROVIDER FOR ELECTRICITY, GAS, WATER,
26 SANITATION AND TELECOMMUNICATIONS.
27 2. "ELECTRICITY" HAS THE SAME MEANING PRESCRIBED IN SECTION 30-801.
28 3. "GAS" HAS THE SAME MEANING PRESCRIBED IN SECTION 27-501.
29 4. "TELECOMMUNICATIONS" MEANS THE TRANSMISSION OF INFORMATION OVER
30 TELEPHONE NETWORKS, THE INTERNET AND CABLE AND SATELLITE TELEVISION SYSTEMS
31 OR OTHER EQUIVALENT TECHNOLOGY.
32 Sec. 11. Section 15-943, Arizona Revised Statutes, is amended to read:
33 15-943. Base support level
34 The base support level for each school district shall be computed as
35 follows:
36 1. The following support level weights shall be used in paragraph 2,
37 subdivision (a) for the following school districts:
38 (a) For school districts whose student count in kindergarten programs
39 and grades one through eight is classified in column 1 of this subdivision,
40 the support level weight for kindergarten programs and grades one through
41 eight is the corresponding support level weight prescribed in column 2 or 3
42 of this subdivision, whichever is appropriate:

Column 1 Student Count	Column 2 Support Level Weight For Small Isolated School Districts	Column 3 Support Level Weight For Small School Districts
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:

Column 1 Student Count	Column 2 Support Level Weight For Small Isolated School Districts	Column 3 Support Level Weight For Small School Districts
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, determine the weighted student count as follows:

(a)

Grade	Base		Group A		Support Level Weight		Student Count		Weighted Student Count
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 Level Weight		Student Count		Weighted Student Count
HI	4.771	x	_____	=	_____
K, for fiscal year 2006-2007	0.835	x	_____	=	_____
K, for fiscal year 2007-2008 and each fiscal year thereafter	1.352	x	_____	=	_____
K-3	0.060	x	_____	=	_____
ELL	0.115	x	_____	=	_____

MD-R, A-R and SMR-R	6.024	x	_____	=	_____
MD-SC, A-SC and SMR-SC	5.833	x	_____	=	_____
MD-SSI	7.947	x	_____	=	_____
OI-R	3.158	x	_____	=	_____
OI-SC	6.773	x	_____	=	_____
P-SD	3.595	x	_____	=	_____
ED, MIMR, SLD, SLI and OHI	0.003	x	_____	=	_____
ED-P	4.822	x	_____	=	_____
MOMR	4.421	x	_____	=	_____
VI	4.806	x	_____	=	_____
		Subtotal		B	_____

(c) Total of subtotals A and B: _____

3. Multiply the total determined in paragraph 2 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.

5. ADD THE AMOUNT DETERMINED IN SECTION 15-910.04.

Sec. 12. Section 15-944, Arizona Revised Statutes, is amended to read:

15-944. Base revenue control limit

A. The base revenue control limit for each school district for fiscal year 1980-1981 is computed as follows:

1. Add the amounts in the fiscal year 1979-1980 budget effective May 15, 1980 for general operating and special education.

2. Subtract the following budgeted revenues from the sum obtained in paragraph 1 of this subsection:

(a) Tuition paid for attendance of nonresident pupils.

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

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

(d) Proceeds from the sale or lease of school property as provided in section 15-1102.

3. Add the increase in the base support level from fiscal year 1979-1980 to fiscal year 1980-1981 to the difference obtained in paragraph 2 of this subsection.

B. The equalization factor for each school district is computed as follows:

1. Divide the sum obtained in subsection A, paragraph 3 of this section by the base support level for fiscal year 1980-1981.

2. Subtract 1.0 from the quotient obtained in paragraph 1 of this subsection to obtain the equalization factor.

C. The revenue variation factor for each fiscal year is as follows:

1. For fiscal year 1981-1982, 0.80.

2. For fiscal year 1982-1983, 0.60.

3. For fiscal year 1983-1984, 0.40.

4. For fiscal year 1984-1985, 0.20.

D. The base revenue control limit for each school district during the five years in which the equalization plan is in operation is computed as follows:

1. Multiply the equalization factor by the revenue variation factor for the applicable year. Beginning with fiscal year 1983-1984 if the resulting product is less than negative 0.08, use negative 0.08 for computation purposes as provided in paragraph 2 of this subsection.

2. Multiply the product obtained in paragraph 1 of this subsection by the base support level for the applicable year.

3. Add the base support level for the applicable year to the product obtained in paragraph 2 of this subsection.

E. For fiscal year 1985-1986 and each fiscal year thereafter, the base revenue control limit equals the base support level for the same fiscal year AND THE AMOUNT DETERMINED IN SECTION 15-910.04.

Sec. 13. 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.

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.

Column 1 Approved Daily Route Mileage per Eligible Student Transported	Column 2 State Support Level per Route Mile for Fiscal Year ~~2007-2008~~ 2008-2009
0.5 or less	~~$2.23~~ $2.27
More than 0.5 through 1.0	~~$1.81~~ $1.85
More than 1.0	~~$2.23~~ $2.27

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.

Column 1 Approved Daily Route Mileage per Eligible Student Transported	Column 2 District Type 02 or 03	Column 3 District Type 04	Column 4 District Type 05
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.

Sec. 14. Section 15-947, Arizona Revised Statutes, is amended to read:

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

A. The revenue control limit for a school district is equal to the sum of the base revenue control limit determined in section 15-944, THE AMOUNT DETERMINED IN SECTION 15-910.04 and the transportation revenue control limit determined in section 15-946.

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

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

1. The maintenance and operations portion of the revenue control limit for the budget year.

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

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

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

(ii) Tuition revenues for attendance of nonresident pupils.

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

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

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

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

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

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

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

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

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

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

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

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

(h) Amounts budgeted for a jointly owned and operated career and technical education and vocational education center as provided in section 15-910.01.

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

3. The maintenance and operations portion of the capital outlay revenue limit for the budget year.

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

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

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

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

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

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

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

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

1. The soft capital allocation for the budget year.

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

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

Sec. 15. Section 15-947.01, Arizona Revised Statutes, is amended to read:

15-947.01. Revenue control limit; general budget limit; total capital budget limit for joint technological education districts

A. The revenue control limit ~~and district support level~~ for a joint technological education district ~~are~~ IS equal to the base support level determined in section 15-943.02 AND THE AMOUNT DETERMINED IN SECTION 15-910.04.

B. The general budget limit for each joint technological education district, for each fiscal year, is the sum of the following:

1. The revenue control limit for the budget year.

2. The capital outlay revenue limit for the budget year.

3. Tuition revenues for attendance of nonresident pupils.

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

5. Expenditures for excess utility costs as provided in section 15-910.

C. The unrestricted capital budget limit for each joint technological education district for the budget year is as provided in section 15-947, subsection D.

D. The soft capital allocation limit for each joint technological education district for the budget year is as provided in section 15-947, subsection E.

Sec. 16. Section 15-977, Arizona Revised Statutes, is amended to read:

15-977. Classroom site fund; definitions

A. The classroom site fund is established consisting of monies transferred to the fund pursuant to section 37-521, subsection B and section 42-5029, subsection E, paragraph 10. The department of education shall administer the fund. School districts and charter schools may not supplant existing school site funding with revenues from the fund. All monies distributed from the fund are intended for use at the school site. Each school district or charter school shall allocate forty per cent of the monies for teacher compensation increases based on performance and employment related expenses, twenty per cent of the monies for teacher base salary increases and employment related expenses and forty per cent of the monies for maintenance and operation purposes as prescribed in subsection H of this section. Teacher compensation increases based on performance or teacher base salary increases distributed pursuant to this subsection shall supplement, and not supplant, teacher compensation monies from any other sources. The school district or charter school shall notify each school principal of the amount available to the school by April 15 OF EACH YEAR. The district or charter school shall request from the school's principal each school's priority for the allocation of the funds available to the school for each

program listed under subsection H of this section. The amount budgeted by the school district or charter school pursuant to this section shall not be included in the allowable budget balance carryforward calculated pursuant to section 15-943.01.

B. A school district governing board must adopt a performance based compensation system at a public hearing to allocate funding from the classroom site fund pursuant to subsection A of this section.

C. A school district governing board shall vote on a performance based compensation system that includes the following elements:

1. School district performance and school performance.

2. Measures of academic progress toward the academic standards adopted by the state board of education.

3. Other measures of academic progress.

4. Dropout or graduation rates.

5. Attendance rates.

6. Ratings of school quality by parents.

7. Ratings of school quality by students.

8. The input of teachers and administrators.

9. Approval of the performance based compensation system based on an affirmative vote of at least seventy per cent of the teachers eligible to participate in the performance based compensation system.

10. An appeals process for teachers who have been denied performance based compensation.

11. Regular evaluation for effectiveness.

D. A performance based compensation system shall include teacher professional development programs that are aligned with the elements of the performance based compensation system.

E. A school district governing board may modify the elements contained in subsection C of this section and consider additional elements when adopting a performance based compensation system. A school district governing board shall adopt any modifications or additional elements and specify the criteria used at a public hearing.

F. Until December 31, 2009, each school district shall develop an assessment plan for its performance based compensation system and submit the plan to the department of education by December 31 of each year. A copy of the performance based compensation system and assessment plan adopted by the school district governing board shall be included in the report submitted to the department of education.

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

1. By March 30 of each year the staff of the joint legislative budget committee shall determine a per pupil amount from the fund for the budget year using the estimated statewide weighted count for the current year

pursuant to section 15-943, paragraph 2, subdivision (a) and based on estimated available resources in the classroom site fund for the budget year.

2. The allocation to each charter school and school district for a fiscal year shall equal the per pupil amount established in paragraph 1 of this subsection for the fiscal year multiplied by the weighted student count for the school district or charter school for the fiscal year pursuant to section 15-943, paragraph 2, subdivision (a). For the purposes of this paragraph, the weighted student count for a school district that serves as the district of attendance for nonresident pupils shall be increased to include nonresident pupils who attend school in the school district.

3. FOR EACH FISCAL YEAR IN WHICH THE LEGISLATURE APPROPRIATES SUFFICIENT MONIES FOR TEACHER PERFORMANCE PAY PURSUANT TO THIS SECTION, THE AMOUNT APPROPRIATED SHALL EQUAL THE PRODUCT OF THE BASE LEVEL PRESCRIBED IN SECTION 15-901 MULTIPLIED BY THE PRIOR YEAR STATEWIDE WEIGHTED STUDENT COUNT MULTIPLIED BY THE FOLLOWING PERCENTAGES:

(a) FOR STAGE ONE, ONE PER CENT.

(b) FOR STAGE TWO, TWO PER CENT.

(c) FOR STAGE THREE, THREE PER CENT.

(d) FOR STAGE FOUR, FOUR PER CENT.

(e) FOR STAGE FIVE, FIVE PER CENT.

(f) FOR STAGE SIX, FIVE AND ONE-HALF PER CENT BY JUNE 30, 2018.

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

1. Class size reduction.

2. Teacher compensation increases.

3. AIMS intervention programs.

4. Teacher development.

5. Dropout prevention programs.

6. Teacher liability insurance premiums.

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

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

K. School districts and charter schools that receive monies from the classroom site fund shall receive these monies monthly in an amount not to exceed one-twelfth of the monies estimated pursuant to subsection G of this

1 section, except that if there are insufficient monies in the fund that month
2 to make payments, the distribution for that month shall be prorated for each
3 school district or charter school. The department of education may make an
4 additional payment in the current month for any prior month or months in
5 which school districts or charter schools received a prorated payment if
6 there are sufficient monies in the fund that month for the additional
7 payments. The state is not required to make payments to a school district or
8 charter school classroom site fund if the state classroom site fund revenue
9 collections are insufficient to meet the estimated allocations to school
10 districts and charter schools pursuant to subsection G of this section.
11 L. The state education system for committed youth shall receive monies
12 from the classroom site fund in the same manner as school districts and
13 charter schools. The Arizona state schools for the deaf and the blind shall
14 receive monies from the classroom site fund in an amount that corresponds to
15 the weighted student count for the current year pursuant to section 15-943,
16 paragraph 2, subdivision (b) for each pupil enrolled in the Arizona state
17 schools for the deaf and the blind. Except as otherwise provided in this
18 subsection, the Arizona state schools for the deaf and the blind and the
19 state education system for committed youth are subject to this section in the
20 same manner as school districts and charter schools.
21 M. Each school district and charter school, including school districts
22 that unify pursuant to section 15-448 or consolidate pursuant to section
23 15-459, shall establish a local level classroom site fund to receive
24 allocations from the state level classroom site fund. The local level
25 classroom site fund shall be a budgetary controlled account. Interest
26 charges for any registered warrants for the local level classroom site fund
27 shall be a charge against the local level classroom site fund. Interest
28 earned on monies in the local level classroom site fund shall be added to the
29 local level classroom site fund as provided in section 15-978. In no event
30 shall this state be required to make payments to a school district or charter
31 school local level classroom site fund that are in addition to monies
32 transferred to the state level classroom site fund pursuant to section
33 37-521, subsection B and section 42-5029, subsection E, paragraph 10.
34 N. Monies distributed from the classroom site fund for class size
35 reduction, AIMS intervention and dropout prevention programs shall only be
36 used for instructional purposes in the instruction function as defined in the
37 uniform system of financial records, except that monies shall not be used for
38 school sponsored athletics.
39 O. IF A SCHOOL DISTRICT IS APPROVED FOR A CAREER LADDER PROGRAM
40 PURSUANT TO SECTION 15-918.04 OR AN OPTIONAL PERFORMANCE INCENTIVE PROGRAM
41 PURSUANT TO SECTION 15-919, THE SCHOOL DISTRICT MAY CONTINUE TO PARTICIPATE
42 IN THOSE PROGRAMS OR MAY CHOOSE TO RECEIVE ADDITIONAL TEACHER PERFORMANCE PAY
43 MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF THIS SECTION. IF A SCHOOL
44 DISTRICT CHOOSES TO RECEIVE MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF
45 THIS SECTION, THE SCHOOL DISTRICT SHALL REDUCE THE AMOUNT OF FUNDING FOR ITS

CAREER LADDER PROGRAM OR OPTIONAL PERFORMANCE INCENTIVE PROGRAM, AS APPLICABLE, IN AN AMOUNT THAT IS EQUAL TO THE AMOUNT APPROPRIATED BY THE LEGISLATURE FOR THE APPLICABLE STAGE SPECIFIED IN SUBSECTION G, PARAGRAPH 3 OF THIS SECTION. IF A SCHOOL DISTRICT IS APPROVED FOR A CAREER LADDER PROGRAM PURSUANT TO SECTION 15-918.04 OR AN OPTIONAL PERFORMANCE INCENTIVE PROGRAM PURSUANT TO SECTION 15-919 AND THAT SCHOOL DISTRICT CHOOSES TO RECEIVE MONIES FOR STAGE ONE PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF THIS SECTION, THE SCHOOL DISTRICT SHALL CONTINUE TO RECEIVE FUNDING THROUGH THE REMAINING STAGES SPECIFIED IN SUBSECTION G, PARAGRAPH 3 OF THIS SECTION, SUBJECT TO LEGISLATIVE APPROPRIATION. A SCHOOL DISTRICT THAT IS SUBJECT TO THIS SUBSECTION SHALL NOTIFY THE DEPARTMENT OF EDUCATION OF THE SCHOOL DISTRICT'S INTENTION TO RECEIVE MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF THIS SECTION NO LATER THAN JULY 1 OF THE FISCAL YEAR THAT STAGE ONE MONIES ARE APPROPRIATED.

~~O.~~ P. For the purposes of this section:

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

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

Sec. 17. Title 15, chapter 13, article 5, Arizona Revised Statutes, is amended by adding section 15-1682.03, to read:

15-1682.03. University capital improvement lease-to-own and bond fund; lease-to-own and bond capital improvement agreements

A. THE UNIVERSITY CAPITAL IMPROVEMENT LEASE-TO-OWN AND BOND FUND IS ESTABLISHED CONSISTING OF THE MONIES PROVIDED BY THE ARIZONA BOARD OF REGENTS PURSUANT TO THIS SECTION, MONIES DEPOSITED PURSUANT TO SECTION 5-522 AND MONIES APPROPRIATED BY THE LEGISLATURE. THE BOARD SHALL ADMINISTER THE FUND. ON NOTICE FROM THE 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 FUND. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

B. THROUGH REVENUES OF THE STATE UNIVERSITY SYSTEM, THE BOARD SHALL ANNUALLY PROVIDE MONIES TO THE FUND OF AT LEAST TWENTY PER CENT OF THE AGGREGATE ANNUAL PAYMENTS OF LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO BY THE BOARD PURSUANT TO THIS SECTION.

C. THE BOARD SHALL DISTRIBUTE MONIES IN THE FUND TO MAKE PAYMENTS PURSUANT TO LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO BY THE BOARD PURSUANT TO THIS SECTION. THE BOARD MAY ENTER INTO LEASE-TO-OWN AND BOND AGREEMENTS FOR THE PURPOSES OF BUILDING RENEWAL PROJECTS AND NEW FACILITIES. NEW LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO PURSUANT TO THIS SECTION

SHALL NOT EXCEED TWO HUNDRED EIGHTY-FIVE MILLION DOLLARS IN FISCAL YEAR 2008-2009 AND FIVE HUNDRED MILLION DOLLARS IN FISCAL YEAR 2009-2010. THE BOARD MAY ENTER INTO LEASE-TO-OWN AND BOND TRANSACTIONS UP TO A MAXIMUM OF ONE BILLION DOLLARS.

Sec. 18. Section 15-1851, Arizona Revised Statutes, is amended to read:

15-1851. Commission for postsecondary education; purpose; report; members; terms; powers and duties; compensation; quorum; personal liability; definition

~~A. The commission for postsecondary education is established as the postsecondary review entity for this state for the conduct, supervision and coordination of the review of postsecondary education institutions in order to determine the eligibility of those institutions for student financial aid monies pursuant to the provisions of part H, subpart one of the higher education amendments of 1992 (P.L. 102-325; 106 Stat. 638; 20 United States Code section 1099a). The commission shall accomplish the purpose of this subsection through the accumulation of information, the performance of studies and the determination of compliance by the postsecondary education institutions with the provisions of part H, subpart one of the higher education amendments of 1992. The review authority of the commission shall be limited to circumstances where the United States department of education has referred an institution to the commission for review or where the United States department of education has approved the review of an institution in accordance with criteria established by the United States department of education. The commission shall keep records of its activities, and the commission shall provide information when requested to the United States secretary of education for financial and compliance audits and for institution evaluation. The scope of authority of the commission acting as a postsecondary review entity to review any educational institution is limited specifically to compliance by the institution with title IV, part H, subpart one of the higher education amendments of 1992. Any review of any institution conducted by the commission shall be performed in the context of the institution's individual mission and purposes. The commission shall not exercise planning, policy, coordinating, supervisory, budgeting or administrative powers over any postsecondary institution in this state.~~

~~B.~~ A. The commission FOR POSTSECONDARY EDUCATION IS ESTABLISHED AND shall ~~also~~ administer the applicable programs identified under section 1203 of the higher education act amendments of 1998 (P.L. 105-244), including the leveraging educational assistance partnership program, the federal family education loan program and the Paul Douglas teacher scholarships program, and shall supervise the state guarantee agency under the higher education act amendments of 1998.

~~C.~~ B. In addition to the responsibilities prescribed in ~~subsections A and B~~ SUBSECTION A of this section, the commission shall:

1. Provide a forum to public and private postsecondary education institutions for discussion of issues of mutual interest, including the following:

(a) The postsecondary needs of unserved and underserved individuals in this state.

(b) The resources of public and private institutions, organizations and agencies that are located in this state and that are capable of providing postsecondary education opportunities.

(c) Enrollment demand and public policy options to meet statewide needs for postsecondary education services.

(d) Cooperative comprehensive instructional and capital planning.

2. Provide reports pursuant to this subsection on discussions of issues of mutual interest.

3. Coordinate and promote collaborative studies on issues of mutual interest to public and private postsecondary education institutions.

4. Compile and disseminate information to the public regarding postsecondary education opportunities in this state.

5. Prepare an annual report that summarizes the results of the commission's activities prescribed in this section and section 15-1852. The annual report shall be submitted to the speaker of the house of representatives, the president of the senate, the governor and the Arizona state library, archives and public records by December 28.

~~D.~~ C. The commission consists of the executive director of the Arizona board of regents, the executive director of the state board for private postsecondary education and the following additional members who shall be appointed by the governor pursuant to section 38-211:

1. Two members who hold senior executive or managerial positions in a university under the jurisdiction of the Arizona board of regents.

2. Two members who hold senior executive or managerial positions in a community college district, one representing a community college district in a county with a population of five hundred thousand persons or more and one representing a community college district in a county with a population of less than five hundred thousand persons.

3. Two members who hold senior executive or managerial positions in private postsecondary institutions of higher education that are licensed under title 32, chapter 30, that are located in this state, that offer bachelor or higher degrees and that are accredited by a regional accreditation agency approved by the United States department of education.

4. Two members who hold senior executive or managerial positions in private postsecondary institutions of higher education that are licensed under title 32, chapter 30, that are located in this state, that offer vocational education programs and that are accredited by a national accreditation agency approved by the United States department of education.

5. One member who holds a senior executive or managerial position in a private cosmetology school that is licensed under title 32, chapter 5, that

is located in this state, that offers cosmetology programs approved by the board of cosmetology and that is accredited by a national accreditation agency approved by the United States department of education.

6. One member who holds a senior executive or managerial position in an institution that is licensed under title 32, chapter 23 or under the provisions of 14 Code of Federal Regulations part 147, that offers vocational education programs at the postsecondary level, that is located in this state and that is not an institution that is qualified under any other category.

7. One member who has held a senior executive or managerial level position in commerce or industry in this state for at least three years before the member's appointment and who is not qualified to serve under any other category.

8. Two members who hold senior executive or managerial positions in the high school education system in this state.

9. One member who is an owner, operator or administrator of a charter school in this state.

~~E.~~ D. Members of the commission appointed pursuant to subsection ~~D~~ C, paragraphs 1 through 9 of this section shall serve four year terms. Appointed members of the commission shall be residents of this state. Appointed members of the commission at all times during their terms shall continue to be eligible for appointment under the category that they were appointed to represent. Terms of appointed members of the commission begin on the third Monday in January. No appointed member of the commission may serve more than two consecutive terms.

~~F.~~ E. The executive director of the Arizona board of regents and the executive director of the state board for private postsecondary education serve as members of the commission during their respective terms of office and are not eligible to vote with respect to the commission's review of any postsecondary institution.

~~G.~~ F. Members appointed pursuant to subsection ~~D~~ C, paragraphs 1 through 9 of this section are eligible to receive compensation pursuant to section 38-611 for each day spent in the performance of commission duties and may be reimbursed for expenses properly incurred in connection with the attendance at meetings or hearings of the commission.

~~H.~~ G. The governor shall appoint a chairman from among the members of the commission who shall serve a one year term that begins on the third Monday in January.

~~I.~~ H. ~~Except as provided in subsection J of this section,~~ A majority of the members of the commission constitutes a quorum for the transaction of commission business. The vote of a majority of the quorum constitutes authority for the commission to act.

~~J. For all purposes relating to title IV, part H, subpart one of the higher education amendments of 1992 the commission membership shall consist only of the members appointed pursuant to subsection D paragraphs 1 through 7 of this section, and all commission actions taken pursuant to title IV, part~~

~~H, subpart one of the higher education act of 1992 require the affirmative vote of at least six members.~~

~~K.~~ I. Members of the commission are immune from personal liability with respect to all actions that are taken in good faith and within the scope of the commission's authority.

~~L.~~ J. For the purposes of this section, "community college district" means a community college district that is established pursuant to sections 15-1402 and 15-1403 and that is a political subdivision of this state.

Sec. 19. Section 15-1852, Arizona Revised Statutes, is amended to read:

15-1852. Additional powers and duties

A. In addition to the powers and duties prescribed in section 15-1851, the commission for postsecondary education shall:

1. Meet at least four times each year.

2. Adopt rules to carry out the purposes of this article.

3. Administer and enforce ~~the provisions of~~ this article and rules adopted pursuant to this article.

4. Keep a record of its proceedings.

5. Contract, on behalf of this state, with the United States secretary of education for the purpose of complying with the provisions of TITLE IV, part H, SUBPART ONE of the higher education amendments of 1992.

~~6. Enter into agreements and contracts with state regulatory agencies or entities, accrediting bodies and other peer review systems for the purpose of complying with the provisions of title IV program eligibility reviews as set forth in part H of the higher education amendments of 1992. Agreements and contracts executed pursuant to this subsection shall be for the purpose of conducting fact-finding activities, eligibility reviews, compliance assessments and recommendations, program reviews and consumer complaint studies. The review authority of the commission shall be limited to those circumstances specified in section 15-1851, subsection A. The commission shall provide sufficient monies to the agency or contractor to perform review functions.~~

~~7. Establish procedures for the performance of the title IV eligibility reviews as prescribed in part H, subpart one of the higher education amendments of 1992, the evaluation and assessment of the reviews performed, the evaluation and assessment of the postsecondary institution's initial and continuing title IV eligibility, the notification of the results of the reviews and the enforcement of an appeals process that provides for due process for postsecondary education institutions. The review authority of the commission shall be limited to those circumstances specified in section 15-1851, subsection A.~~

~~8. Establish procedures by which agencies of this state that are responsible for oversight of postsecondary institutions receive notification of eligibility reviews, eligibility determinations and actions and other actions taken or planned against postsecondary institutions.~~

~~9.~~ 6. Comply with ~~the provisions of~~ title 38, chapter 3, article 3.1 and title 39.

B. The commission may:

1. Adopt an official seal.

2. Contract.

3. Sue and be sued.

4. Receive, hold, make and take leases of and sell personal property for the benefit of the commission.

5. Employ permanent or temporary personnel as the commission deems necessary to carry out this article. The commission may designate the duties of these personnel. The commission employees are subject to title 41, chapter 4, articles 5 and 6.

6. Conduct investigations, hold hearings and determine methods of enforcement of ~~the provisions of~~ this article.

7. Issue subpoenas to compel the attendance of witnesses and the production of documents, administer oaths, take testimony, hear proof and receive exhibits into evidence.

8. Establish policy centers under its control to conduct studies.

9. Coordinate and promote studies of interest to postsecondary institutions in this state.

C. The commission is exempt from title 41, chapter 6 but shall adopt rules in a manner substantially similar to title 41, chapter 6.

Sec. 20. Section 15-1853, Arizona Revised Statutes, is amended to read:

15-1853. <u>Funding; federal monies; postsecondary education fund; report</u>

A. The postsecondary education fund is established consisting of:

1. Monies appropriated by the legislature.

2. Monies received from state agencies and political subdivisions of this state.

3. Monies received from the United States government, including monies received from the United States department of education pursuant to subsection B of this section.

4. Gifts, grants and donations received from any private source to carry out the duties and responsibilities of the commission.

B. The commission may receive monies distributed by the United States department of education for the reimbursement of the costs of performing review requirements. The costs may include expenses for ~~the instruction of personnel needed to serve the purpose of section 15-1851, subsection A,~~ the supplementation of existing review functions, work performed by subcontractors or consultants in connection with the review functions of the commission and any other administrative expenses necessary for compliance with TITLE IV, part H, subpart one of the higher education amendments of 1992. No more than thirteen per cent of amounts received by the commission

from the United States department of education may be utilized for administrative purposes by the commission.

C. The commission shall administer the fund in compliance with the requirements of this article. The commission shall separately account for monies received from each source listed in subsection A of this section and may establish accounts and subaccounts of the fund as necessary to carry out the requirements of this subsection.

D. Monies obtained pursuant to subsection A, paragraphs 1 through 3 of this section are subject to legislative appropriation. The commission shall not use these monies for purposes other than those designated by special line items for which the monies are received.

E. Monies obtained pursuant to subsection A, paragraph 4 of this section are continuously appropriated. These monies shall be used in accordance with the requests of the donor. If no request is specified, the monies may be used for additional responsibilities of the ~~board~~ COMMISSION prescribed in section 15-1851, subsection ~~C~~ B and section 15-1852, subsection B, paragraphs 8 and 9.

F. The commission shall report quarterly to the joint legislative budget committee on fund deposits and expenditures.

Sec. 21. Section 15-1854, Arizona Revised Statutes, is amended to read:

15-1854. Private postsecondary education student financial assistance program; fund; definition

A. A private postsecondary education student financial assistance program is established. The commission shall develop, implement and administer the program. A student who obtains an associate degree from a community college district or from a community college under the jurisdiction of an Indian tribe in this state that meets the same accreditation standards as a community college district and who registers for enrollment as a full-time student in a baccalaureate program at a private, nationally or regionally accredited four year degree granting college or university chartered in this state is eligible to submit an application to the commission for participation in the program. The commission shall establish eligibility criteria for the program including financial need and academic merit, shall develop application forms, procedures and deadlines and shall select qualifying students each year for participation in the program. Participating students shall receive an award in an amount of up to two thousand dollars annually ~~for~~ not to exceed two years ~~and~~ OR four thousand dollars to be used to pay all or a portion of the tuition and fees charged at the private, accredited four year college or university.

B. A private postsecondary education student financial assistance fund is established consisting of legislative appropriations. The commission shall administer the fund. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations. The commission shall make awards for payment of tuition at eligible colleges or universities

to students who are selected to participate in the private postsecondary education student financial assistance program pursuant to subsection A of this section.

C. The commission shall develop a program evaluation procedure in order to determine the effectiveness of the private postsecondary education student financial assistance program in shifting students who would have otherwise attended a public four year college or university to private four year degree granting colleges or universities.

D. A student who fails to receive a baccalaureate degree within a three year period of receipt of the program award shall reimburse the private postsecondary education student financial assistance fund for all awards received pursuant to subsection A of this section. ON RECEIPT OF SUPPORTING DOCUMENTATION FROM THE STUDENT, FOR GOOD CAUSE SHOWN THE COMMISSION MAY PROVIDE FOR EXTENSIONS OF THE THREE YEAR PERIOD TO OBTAIN A BACCALAUREATE DEGREE.

E. For the purposes of this section, "community college district" means a community college district that is established pursuant to sections 15-1402 and 15-1403 and that is a political subdivision of this state.

Sec. 22. Section 15-1855, Arizona Revised Statutes, is amended to read:

15-1855. Postsecondary education grant program; fund; program termination; definition

A. The commission on postsecondary education shall develop, implement and administer a postsecondary education grant program. The commission shall develop application forms, procedures and deadlines and shall select eligible students each year for participation in the postsecondary education grant program. The commission may establish partnerships with qualifying schools for the administration of the postsecondary education grant program. Participating full-time students shall receive a grant in an amount of two thousand dollars annually for a maximum of four calendar years to be used to pay all or a portion of the following:

1. The tuition charged at a qualifying school.
2. The cost of books required for classes at a qualifying school.
3. The fees charged at a qualifying school.

B. The amount of a grant awarded to a participating part-time student enrolled ~~in at least six credit hours~~ AT LEAST HALF-TIME FOR THE ACADEMIC YEAR AS DEFINED IN 20 UNITED STATES CODE SECTION 1088 shall be prorated in accordance with the part-time status of the student.

C. Employees of private postsecondary institutions and family members of employees of private postsecondary institutions are not eligible to receive a postsecondary education grant pursuant to this section if the employee or family member is eligible for tuition reimbursement or a tuition waiver as a benefit of employment.

D. A student who has a baccalaureate degree from ~~the qualifying school~~ ANY POSTSECONDARY EDUCATIONAL INSTITUTION is not eligible to receive postsecondary education grant monies pursuant to this section.

E. Students who provide satisfactory proof to the commission that the student has met each of the following criteria are eligible to submit an application for consideration by the commission for a grant under the postsecondary education grant program:

~~1. The student meets at least one of the following criteria:~~

~~(a) Has graduated from a public or private high school in this state.~~

~~(b) Has completed the equivalent of grade twelve in a home school program.~~

~~(c) Has obtained a general equivalency diploma in this state.~~

~~(d) Is currently a resident of this state and has been a resident of this state for at least the past twelve months.~~

~~(e) Is a member of the military service of the United States stationed in this state or the spouse or dependent of a member of the military service of the United States stationed in this state.~~

1. THE STUDENT EITHER:

(a) IS CURRENTLY A RESIDENT OF THIS STATE AND HAS BEEN A RESIDENT OF THIS STATE FOR AT LEAST THE PAST TWELVE MONTHS.

(b) IS A MEMBER OF THE MILITARY SERVICE OF THE UNITED STATES STATIONED IN THIS STATE OR THE SPOUSE OR DEPENDENT OF A MEMBER OF THE MILITARY SERVICE OF THE UNITED STATES STATIONED IN THIS STATE.

2. The student has met the qualifications adopted by the commission. The commission shall adopt minimum qualifications that are comparable to the admissions standards established by the Arizona board of regents for Arizona public universities.

3. The student registers for enrollment as a student in a baccalaureate program at a nationally or regionally accredited private postsecondary educational institution in this state that awards four year baccalaureate degrees.

4. The student has provided high school transcripts as proof of graduation if the student has graduated from a public or private high school. If high school records no longer exist for a student or after every reasonable effort has been made to obtain official records, the student may submit a letter certified by the high school from which the student graduated or the original high school diploma.

5. The student has completed and submitted a free application for federal student aid.

6. The student is a citizen or legal resident of the United States or is otherwise lawfully present in the United States.

7. IF THE STUDENT IS ELIGIBLE TO APPLY FOR MONIES FROM THE PRIVATE POSTSECONDARY EDUCATION STUDENT FINANCIAL ASSISTANCE FUND ESTABLISHED BY SECTION 15-1854, THE STUDENT SHALL APPLY FOR AND RECEIVE MONIES FROM THE PRIVATE POSTSECONDARY EDUCATION STUDENT FINANCIAL ASSISTANCE FUND BEFORE THE

1 STUDENT IS ELIGIBLE TO APPLY FOR A GRANT FROM THE POSTSECONDARY EDUCATION
2 GRANT FUND ESTABLISHED BY THIS SECTION.
3 F. The postsecondary education grant fund is established consisting of
4 legislative appropriations. The commission shall administer the fund.
5 Monies in the fund are continuously appropriated and are exempt from the
6 provisions of section 35-190 relating to lapsing of appropriations. The
7 commission shall make awards for payment of tuition at qualifying schools to
8 students who are selected to participate in the postsecondary education grant
9 program pursuant to subsection A of this section.
10 G. If the amount of monies available for postsecondary education
11 grants in any fiscal year is insufficient to provide grants to all eligible
12 applicants, the commission shall award grants to eligible students in the
13 order in which the applications were received by the commission, except that
14 priority shall be given to qualifying students who received a grant in the
15 previous fiscal year and who are still in good academic standing at the same
16 qualifying school. The commission shall maintain a waiting list for all
17 other applicants.
18 H. A student who fails to receive a baccalaureate degree within a five
19 year period of receipt of the program award shall reimburse the postsecondary
20 education grant fund for all awards received pursuant to subsection A of this
21 section. ON RECEIPT OF SUPPORTING DOCUMENTATION FROM THE STUDENT, FOR GOOD
22 CAUSE SHOWN THE COMMISSION MAY PROVIDE FOR EXTENSIONS OF THE FIVE YEAR PERIOD
23 TO OBTAIN A BACCALAUREATE DEGREE.
24 I. The commission shall submit an annual report to the governor, the
25 president of the senate, the speaker of the house of representatives and the
26 joint legislative budget committee that includes a detailed description of
27 the amount of monies distributed under the postsecondary education grant
28 program during the previous fiscal year and that includes the total number of
29 qualified applicants for grants, the total number of grants awarded, the
30 qualifying schools attended by grant recipients and the total number of
31 qualified applicants who were placed on the waiting list. The commission
32 shall provide a copy of this report to the secretary of state and the
33 director of the Arizona state library, archives and public records.
34 J. If the commission is notified by a qualifying school that a student
35 who has received a postsecondary education grant is no longer in good
36 academic standing at the qualifying school, the commission shall immediately
37 discontinue the grant and the student shall reimburse the postsecondary
38 education grant fund for any unused portion or any unlawfully used portion of
39 a grant received pursuant to subsection A of this section.
40 K. The commission shall develop a marketing strategy that is designed
41 to provide information about the postsecondary education grant program to all
42 high school students in this state.
43 L. The program established by this section ends on July 1, 2016
44 pursuant to section 41-3102.

M. For the purposes of this section, "qualifying school" means a nationally or regionally accredited private postsecondary educational institution in this state that offers four year baccalaureate degrees.

Sec. 23. Section 15-1871, Arizona Revised Statutes, is amended to read:

15-1871. Definitions

In this article, unless the context otherwise requires:

1. "Account" means an individual trust account in the fund established as prescribed in this article.

2. "Account owner" means the person who enters into a tuition savings agreement pursuant to this article, who is an account owner within the meaning of section 529 of the internal revenue code and who is designated at the time an account is opened as having the right to withdraw monies from the account before the account is disbursed to or for the benefit of the designated beneficiary.

3. "Commission" means the commission for postsecondary education established by section 15-1851.

4. "Committee" means the family college savings program oversight committee.

5. "Designated beneficiary" means a person who qualifies as a designated beneficiary under section 529 of the internal revenue code and, except as provided in section 15-1875, subsections ~~R~~ P and ~~S~~ Q, with respect to an account, who is designated at the time the account is opened as the person whose higher education expenses are expected to be paid from the account or, if this designated beneficiary is replaced in accordance with section 15-1875, subsections ~~E, F and G~~ D, E AND F, the replacement beneficiary.

6. "Eligible educational institution" means an institution of higher education that qualifies under section 529 of the internal revenue code as an eligible educational institution.

7. "Financial institution" means any bank, commercial bank, national bank, savings bank, savings and loan association, credit union, insurance company, brokerage firm or other similar entity that is authorized to do business in this state.

8. "Fund" means the family college savings program trust fund that constitutes a public instrumentality of this state AND THAT IS established by section 15-1873.

9. "Member of the family" means any of the following:

(a) A son or daughter of a person or a descendant of the son or daughter of the person.

(b) A stepson or stepdaughter of a person.

(c) A brother, sister, stepbrother or stepsister of a person. For the purposes of this subdivision, "brother" and "sister" includes a brother or sister by the half-blood.

(d) The father or mother of a person or the ancestor of the father or mother of a person.

(e) A stepfather or stepmother of a person.

(f) A son or daughter of a person's brother or sister. For the purposes of this subdivision, "brother" and "sister" includes a brother or sister by the half-blood.

(g) A brother or sister of the person's father or mother. For the purposes of this subdivision, "brother" and "sister" includes a brother or sister by the half-blood.

(h) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law of a person.

(i) The spouse of a person or the spouse of any individual described in this paragraph.

(j) A first cousin of a person.

(k) Any individual who meets the criteria for family membership described in this paragraph as a result of legal adoption.

10. "Nonqualified withdrawal" means a withdrawal from an account other than one of the following:

(a) A qualified withdrawal.

(b) A withdrawal made as the result of the death or disability of the designated beneficiary of an account.

(c) A withdrawal that is made on the account of a scholarship, or the allowance or payment described in section 135(d)(1)(B) or (C) of the internal revenue code, and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.

(d) A rollover or change of designated beneficiary.

11. "Person" means an individual, an individual's legal representative or any other legal entity authorized to establish a savings account under section 529 of the internal revenue code and the corresponding regulations.

12. "Program" means the family college savings program THAT IS established under this article AND that constitutes a qualified tuition program as defined in section 529 of the internal revenue code.

13. "Qualified higher education expenses" means tuition, fees, books, supplies, room and board and equipment required for enrollment or attendance of a designated beneficiary at an eligible educational institution and expenses for special needs services in the case of a special needs beneficiary that are incurred in connection with enrollment or attendance, if these expenses meet the definition of qualified higher education expenses in section 529 of the internal revenue code.

14. "Qualified withdrawal" means a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account, but only if the withdrawal is made in accordance with this article.

15. "Section 529 of the internal revenue code" means section 529 of the internal revenue code of 1986, as amended, and the final regulations issued pursuant to that section.

16. "Trust interest" means an account owner's interest in the fund created by a tuition savings agreement for the benefit of a designated beneficiary.

17. "Tuition savings agreement" means an agreement between the commission, as trustee of the fund, and an account owner that creates an interest in the fund and that provides for participation in the program.

Sec. 24. Section 15-1874, Arizona Revised Statutes, is amended to read:

15-1874. Use of contractor as account depository and manager

A. The commission shall implement the operation of the program through the use of one or more financial institutions to act as the depositories of the fund and managers of the program. Under the program, persons may submit applications for enrollment in the program and establish accounts in the fund at the financial institution. Monies paid by account owners to the fund for deposit in accounts maintained by the fund at a financial institution shall be paid to the financial institution as an agent of the fund and the tuition savings agreements shall provide that all monies paid by account owners to fund accounts held at financial institutions are being paid to the fund.

B. The committee shall solicit proposals from financial institutions to act as the depositories of fund monies and managers of the program. Financial institutions that submit proposals must describe the financial instruments that will be held in accounts. The commission shall select proposals from financial institutions to act as depositories and managers, and ~~that~~ the solicitation and selection process is exempt from the procurement code requirements of title 41, chapter 23.

C. On the recommendation of the committee, the commission shall select the financial institution or institutions to implement ~~the operation of~~ the program from among bidding financial institutions that demonstrate the most advantageous combination, both to potential program participants and this state, of the following factors:

1. Financial stability and integrity.

2. The safety of the investment instruments being offered, taking into account any insurance provided with respect to these instruments.

3. The ability of the investment instruments to track estimated costs of higher education as calculated by the commission and provided by the financial institution to the account holder.

4. The ability of the financial institutions, directly or through a subcontract, to satisfy record keeping and reporting requirements.

5. The financial institution's plan for promoting the program and the investment it is willing to make to promote the program.

6. The fees, if any, proposed to be charged to persons for maintaining accounts.

7. The minimum initial deposit and minimum contributions that the financial institution will require for the investment of fund monies and the

willingness of the financial institution to accept contributions through payroll deduction plans and other deposit plans.

8. Any other benefits to this state or its residents included in the proposal, including an account opening fee payable to the commission by the account owner and an additional fee from the financial institution for statewide program marketing by the commission.

D. The commission shall enter into a contract with a financial institution, or except as provided in subsection E of this section, contracts with financial institutions, to serve as program managers and depositories. Program management contracts shall provide the terms and conditions by which financial institutions shall sell interests in the fund to account owners, invest monies in the fund and manage the program.

E. The commission may select more than one financial institution and investment for the program if both of the following conditions exist:

1. The United States internal revenue service has provided guidance that giving a contributor a choice of two investment instruments under a state plan will not cause the plan to fail to qualify for favorable tax treatment under section 529 of the internal revenue code.

2. The commission concludes that the choice of instrument vehicles is in the best interest of college savers and will not interfere with the promotion of the program.

F. A program manager shall:

1. Take all action required to keep the program in compliance with the requirements of this article and all action not contrary to this article or its contract to manage the program so that it is treated as a qualified tuition plan under section 529 of the internal revenue code.

2. Keep adequate records of each of the fund's accounts, keep each account segregated from each other account and provide the commission with the information necessary to prepare statements required by section 15-1875, subsections ~~O, P and Q~~ M, N AND O or file these statements on behalf of the commission.

3. Compile and total information contained in statements required to be prepared under section 15-1875, subsections ~~O, P and Q~~ M, N AND O and provide these compilations to the commission.

4. If there is more than one program manager, provide the commission with this information to assist the commission to determine compliance with section 15-1875, subsection ~~N~~ L.

5. Provide representatives of the commission, including other contractors or other state agencies, access to the books and records of the program manager to the extent needed to determine compliance with the contract.

6. Hold all accounts in the name of and for the benefit of the fund and this state.

G. Any contract executed between the commission and a financial institution pursuant to this section shall be for a term of at least three years and not more than seven years.

H. The commission may terminate a contract with a financial institution at any time for good cause on the recommendation of the committee. If a contract is terminated pursuant to this subsection, the commission shall take custody of accounts held at that financial institution and shall seek to promptly transfer the accounts to another financial institution that is selected as a program manager and into investment instruments as similar to the original investments as possible.

I. If the commission determines not to renew the appointment of a financial institution as a program manager, the commission may take action consistent with the interests of the program and the accounts and in accordance with its duties as the trustee of the fund, including termination of all services or continuation of certain management and administrative services of that financial institution for accounts of the program managed by that financial institution during its term as a program manager, if any continuation of services is only permitted under the following conditions:

1. The commission and the financial institution ~~enters~~ ENTER into a written agreement specifying the rights of the program and the commission and the responsibilities of the financial institution, including the standards that continue to be applicable to the accounts as accounts of the program.

2. Any services provided by the financial institution to accounts continue to be subject to the control of the commission as the trustee of the fund with responsibility of all accounts of the program.

Sec. 25. Section 15-1875, Arizona Revised Statutes, is amended to read:

15-1875. <u>Program requirements</u>

A. The program shall be operated through the use of accounts in the fund established by account owners. Payments to the fund for participation in the program shall be made by account owners pursuant to tuition savings agreements. An account may be opened by any person who desires to invest in the fund and to save to pay qualified higher education expenses by satisfying each of the following requirements:

1. Completing an application in the form prescribed by the commission. The application shall include the following information:

(a) The name, address and social security number or employer identification number of the contributor.

(b) The name, address and social security number of the account owner if the account owner is not the contributor.

(c) The name, address and social security number of the designated beneficiary.

(d) The certification relating to no excess contributions required by subsection ~~N~~ L.

(e) Any other information that the commission may require.

2. Paying the one-time application fee established by the commission.

3. Making the minimum contribution required by the commission or by opening an account.

4. Designating the type of account to be opened if more than one type of account is offered.

B. Any person may make contributions to an account after the account is opened.

C. Contributions to accounts may be made only in cash.

~~D. Account owners may withdraw all or part of the balance from an account on sixty days' notice, or a shorter period as may be authorized by the commission, under rules prescribed by the commission. These rules shall include provisions that will generally enable the commission or program manager to determine if a withdrawal is a nonqualified withdrawal or a qualified withdrawal. The rules may, but need not, require one or more of the following:~~

~~1. Account owners seeking to make a qualified withdrawal or other withdrawal that is not a nonqualified withdrawal shall provide certifications, copies of bills for qualified higher education expenses or other supporting material.~~

~~2. Qualified withdrawals from an account shall be made only by a check payable as designated by the account owner.~~

~~3. Withdrawals not meeting certain requirements shall be treated as nonqualified withdrawals by the program manager, and if these withdrawals are not nonqualified withdrawals, the account owner must seek refunds of penalties, if any, directly from the commission.~~

~~E.~~ D. An account owner may change the designated beneficiary of an account to an individual who is a member of the family of the former designated beneficiary in accordance with procedures established by the commission.

~~F.~~ E. On the direction of an account owner, all or a portion of an account may be transferred to another account of which the designated beneficiary is a member of the family of the designated beneficiary of the transferee account.

~~G.~~ F. Changes in designated beneficiaries and rollovers under this section are not permitted if the changes or rollovers would violate either of the following:

1. Subsection ~~N~~ L, relating to excess contributions.

2. Subsection ~~K~~ I, relating to investment choice.

~~H. In the case of any nonqualified withdrawal from an account, a penalty may be imposed if the penalty is required for purposes of qualifying the program as a qualified tuition program under section 529 of the internal revenue code. The commission may adopt rules to establish the parameters for the assessment of penalties. Any penalties assessed shall be paid to the commission for use in operating and marketing the program and for student financial aid.~~

~~I.~~ G. Each account shall be maintained separately from each other account under the program.

~~J.~~ H. Separate records and accounting shall be maintained for each account for each designated beneficiary.

~~K.~~ I. No contributor to, account owner of or designated beneficiary of any account may direct the investment, within the meaning of section 529 of the internal revenue code, of any contributions to an account or the earnings from the account.

~~L.~~ J. If the commission terminates the authority of a financial institution to hold accounts and accounts must be moved from that financial institution to another financial institution, the commission shall select the financial institution and type of investment to which the balance of the account is moved unless the internal revenue service provides guidance stating that allowing the account owner to select among several financial institutions that are then contractors would not cause a plan to cease to be a qualified tuition plan.

~~M.~~ K. Neither an account owner nor a designated beneficiary may use an interest in an account as security for a loan. Any pledge of an interest in an account is of no force and effect.

~~N.~~ L. On the recommendation of the committee, the commission shall adopt rules to prevent contributions on behalf of a designated beneficiary in excess of those necessary to pay the qualified higher education expenses of the designated beneficiaries. The rules shall address the following:

1. Procedures for aggregating the total balances of multiple accounts established for a designated beneficiary.

2. The establishment of a maximum total balance for the purpose of prohibiting contributions to accounts established for a designated beneficiary if the contributions would cause the maximum total balance to be exceeded.

3. The commission shall review the quarterly reports received from participating financial institutions and certify that the balance in all qualified tuition programs, as defined in section 529 of the internal revenue code, of which that person is the designated beneficiary does not exceed the lesser of:

(a) A maximum college savings amount established by the commission from time to time.

(b) The cost in current dollars of qualified higher education expenses that the contributor reasonably anticipates the designated beneficiary will incur.

4. Requirements that any excess contributions with respect to a designated beneficiary be promptly withdrawn in a nonqualified withdrawal or rolled over to another account in accordance with this section.

~~O.~~ M. If there is any distribution from an account to any person or for the benefit of any person during a calendar year, the distribution shall

be reported to the internal revenue service and the account owner or the designated beneficiary to the extent required by federal law.

~~P.~~ N. The financial institution shall provide statements to each account owner at least once each year within thirty-one days after the twelve month period to which they relate. The statement shall identify the contributions made during a preceding twelve month period, the total contributions made through the end of the period, the value of the account as of the end of this period, distributions made during this period and any other matters that the commission requires be reported to the account owner.

~~Q.~~ O. Statements and information returns relating to accounts shall be prepared and filed to the extent required by federal or state tax law.

~~R.~~ P. A state or local government or organizations described in section 501(c)(3) of the internal revenue code may open and become the account owner of an account to fund scholarships for persons whose identity will be determined after an account is opened.

~~S.~~ Q. In the case of any account described in subsection ~~R~~ P, the requirement that a designated beneficiary be designated when an account is opened does not apply and each person who receives an interest in the account as a scholarship shall be treated as a designated beneficiary with respect to the interest.

~~T.~~ R. Any social security numbers, addresses or telephone numbers of individual account holders and designated beneficiaries that come into the possession of the commission are confidential, are not public records and shall not be released by the commission.

~~U.~~ S. An account owner may transfer ownership rights to another eligible account owner.

~~V.~~ T. An account owner may designate successor account owners.

Sec. 26. Section 15-2011, Arizona Revised Statutes, is amended to read:

15-2011. <u>Minimum school facility adequacy requirements; definition</u>

A. The school facilities board ~~shall~~, as determined and prescribed in this chapter, SHALL provide funding to school districts for new construction as the projected number of pupils in the district will fill the existing school facilities and require 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 to the particular building. 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 most recent one hundredth day average daily membership MODIFIED TO COUNT KINDERGARTEN STUDENTS AS FULL-TIME STUDENTS.

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 gross square footage.

5. Include all portable and modular buildings.

6. Include in the gross 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, ~~then~~ the excess square footage shall not be included in the gross square footage if any of the following ~~apply~~ 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 per cent 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 per cent of the minimum square footage requirements pursuant to subsection C of this section.

7. Require that excess square footage that is constructed after July 1, 2002 and that is not excluded pursuant to paragraph 6 of this subsection meets the minimum school facility adequacy guidelines in order to be eligible for building renewal monies as computed in section 15-2031.

8. 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, subsection O.

F. The school facilities board shall adopt rules establishing minimum school facility adequacy guidelines. The executive director of the school facilities board shall report monthly to the joint committee on capital review on the progress of the development of the proposed rules establishing the guidelines. The joint committee on capital review shall review the proposed guidelines before the school facilities board adopts the rules to establish the 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 shall consider the facilities and equipment of the schools with the highest academic productivity scores, as prescribed in section 15-2002, subsection A, paragraph 9, subdivision (d), and the highest parent quality ratings in the establishment of the guidelines.

H. The school facilities board may consider appropriate combinations of facilities or uses in making assessments of and curing existing deficiencies pursuant to section 15-2002, subsection A, paragraph 1 and in certifying plans for new school facilities pursuant to section 15-2002, subsection A, paragraph 5.

I. 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

1 section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and
2 15-701.01.
3 Sec. 27. Title 15, chapter 16, article 4, Arizona Revised Statutes, is
4 amended by adding section 15-2032, to read:
5 15-2032. School facilities board building renewal grant fund;
6 definitions
7 A. NOTWITHSTANDING SECTION 15-2031, THE BUILDING RENEWAL GRANT FUND IS
8 ESTABLISHED CONSISTING OF MONIES APPROPRIATED TO THE FUND BY THE LEGISLATURE.
9 THE SCHOOL FACILITIES BOARD SHALL ADMINISTER THE FUND AND DISTRIBUTE MONIES
10 TO SCHOOL DISTRICTS FOR THE PURPOSE OF MAINTAINING THE ADEQUACY OF EXISTING
11 SCHOOL FACILITIES. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF
12 SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.
13 B. THE SCHOOL FACILITIES BOARD SHALL DISTRIBUTE MONIES FROM THE FUND
14 BASED ON GRANT REQUESTS FROM SCHOOL DISTRICTS TO FUND PRIMARY BUILDING
15 RENEWAL PROJECTS. PROJECT REQUESTS SHALL BE PRIORITIZED BY THE SCHOOL
16 FACILITIES BOARD, WITH PRIORITY GIVEN TO SCHOOL DISTRICTS THAT HAVE PROVIDED
17 ROUTINE PREVENTATIVE MAINTENANCE ON THE FACILITY, AND TO SCHOOL DISTRICTS
18 THAT CAN PROVIDE A MATCH OF MONIES PROVIDED BY THE FUND. THE SCHOOL
19 FACILITIES BOARD SHALL APPROVE ONLY PROJECTS THAT WILL BE COMPLETED WITHIN
20 TWELVE MONTHS, UNLESS SIMILAR PROJECTS ON AVERAGE TAKE LONGER TO COMPLETE.
21 C. SCHOOL DISTRICTS THAT RECEIVE MONIES FROM THE FUND SHALL USE THESE
22 MONIES ON PROJECTS FOR BUILDINGS OR ANY PART OF A BUILDING IN THE SCHOOL
23 FACILITIES BOARD'S DATABASE FOR ANY OF THE FOLLOWING:
24 1. MAJOR RENOVATIONS AND REPAIRS TO A BUILDING.
25 2. UPGRADING SYSTEMS AND AREAS THAT WILL MAINTAIN OR EXTEND THE USEFUL
26 LIFE OF THE BUILDING.
27 3. INFRASTRUCTURE COSTS.
28 D. MONIES RECEIVED FROM THE FUND SHALL NOT BE USED FOR ANY OF THE
29 FOLLOWING PURPOSES:
30 1. NEW CONSTRUCTION.
31 2. REMODELING INTERIOR SPACE FOR AESTHETIC OR PREFERENTIAL REASONS.
32 3. EXTERIOR BEAUTIFICATION.
33 4. DEMOLITION.
34 5. THE PURCHASE OF SOFT CAPITAL ITEMS PURSUANT TO SECTION 15-962.
35 6. ROUTINE PREVENTATIVE MAINTENANCE.
36 E. FOR THE PURPOSES OF THIS SECTION:
37 1. "PRIMARY BUILDING RENEWAL PROJECTS" MEANS PROJECTS THAT ARE
38 NECESSARY FOR BUILDINGS OWNED BY SCHOOL DISTRICTS THAT ARE REQUIRED TO MEET
39 THE MINIMUM ADEQUACY STANDARDS FOR STUDENT CAPACITY AND THAT FALL BELOW THE
40 MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES, AS ADOPTED BY THE SCHOOL
41 FACILITIES BOARD PURSUANT TO SECTION 15-2011, FOR SCHOOL DISTRICTS THAT HAVE
42 PROVIDED ROUTINE PREVENTATIVE MAINTENANCE TO THE SCHOOL FACILITY.
43 2. "ROUTINE PREVENTATIVE MAINTENANCE" MEANS SERVICES THAT ARE
44 PERFORMED ON A REGULAR SCHEDULE AT INTERVALS RANGING FROM FOUR TIMES A YEAR

TO ONCE EVERY THREE YEARS 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.

Sec. 28. Section 28-8101, Arizona Revised Statutes, is amended to read:

28-8101. Local transportation assistance fund

A. A local transportation assistance fund is established consisting of:

1. Monies deposited from the state lottery fund pursuant to section 5-522.

2. Monies appropriated pursuant to subsection B of this section.

3. Monies deposited pursuant to section 28-5808, subsection C.

4. Interest earned on local transportation assistance monies as provided in subsection C of this section.

B. The legislature shall appropriate an amount that is necessary to provide that the total monies available in the local transportation assistance fund for each fiscal year equal twenty million five hundred thousand dollars.

C. The state treasurer shall invest and divest monies in the local transportation assistance fund as provided by section 35-313, and monies earned from investment shall be credited to the fund.

D. A maximum amount of twenty-three million dollars may be deposited in the local transportation assistance fund each fiscal year from the state lottery fund as provided in section 5-522, subsection B.

E. A maximum amount of eighteen million dollars may be deposited in the local transportation assistance fund each fiscal year from the state lottery fund as provided in section 5-522, subsection A, ~~paragraphs 4 and 6~~ PARAGRAPH 3.

Sec. 29. Section 28-8103, Arizona Revised Statutes, is amended to read:

28-8103. Special lottery and vehicle license tax monies; fund distribution; notice; proposals; annual financial report; definitions

A. Monies in the local transportation assistance fund pursuant to section 5-522, subsection A, ~~paragraphs 4 and 6~~ PARAGRAPH 3 and section 28-5808, subsection C shall be available for distribution by the department to the following in the proportion that the population of each bears to the total population of this state:

1. In each county with a population of one million two hundred thousand or more persons, to the public transportation fund established by section 48-5103.

2. In each county with a population of five hundred thousand or more persons but less than one million two hundred thousand persons, to the metropolitan planning organization in the county.

3. In each county with a population of less than five hundred thousand persons, to cities and towns located in the county and to the county board of supervisors. The distribution to the county board of supervisors shall be based on the unincorporated population of the county.

B. The department shall not distribute more than eighteen million dollars in any one fiscal year as provided in this section. Monies distributed pursuant to this section are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

C. The department shall distribute monies to a public transportation fund or a metropolitan planning organization pursuant to subsection A, paragraphs 1 and 2 of this section when a regional public transportation authority or metropolitan planning organization certifies that its local monies have been spent or are in the process of being spent. The monies distributed pursuant to subsection A, paragraphs 1 and 2 of this section shall be further distributed as matching grants to cities and towns located in the county in the proportion that the population of each city or town bears to the total population in that county and to the board of supervisors in the proportion that the unincorporated population of the county bears to the total population in that county. The monies distributed pursuant to subsection A, paragraph 3 of this section shall be distributed as matching grants to cities, towns and boards of supervisors.

D. Monies distributed pursuant to subsection C of this section shall only be distributed to cities, towns and counties that satisfy the following match requirements:

1. For counties with a population of five hundred thousand or more persons, a match that is at least equal to the amount of grant monies requested by a county.

2. For counties with a population of less than five hundred thousand persons, a match that is at least equal to one-fourth of the amount of grant monies requested by a county.

3. For cities with a population of fifty thousand or more persons, a match that is at least equal to the amount of grant monies requested by a city.

4. For cities or towns with a population of less than fifty thousand persons, a match that is at least equal to one-fourth of the amount of the grant monies requested by a city or town.

E. A regional public transportation authority, a metropolitan planning organization and the department shall notify cities, towns and boards of supervisors within their jurisdictions of the maximum amount of matching grant monies available to them each year pursuant to this section. Each year cities, towns and counties may submit proposals to a regional public transportation authority, a metropolitan planning organization or the department requesting some or all of the matching grant monies available to them in that year. For distributions pursuant to subsection A, paragraph 1 or 2 of this section, each proposal shall certify that the city, town or

county will invest local monies in an amount that is at least equal to the amount prescribed in subsection D of this section and shall detail a plan for spending all matching grant and local monies, and if a city, town or county complies with this section, the regional public transportation authority or metropolitan planning organization shall distribute matching grant monies to the city, town or county. For distributions pursuant to subsection A, paragraph 3 of this section, each proposal shall certify that the city, town or county will invest local monies in an amount that is at least equal to the amount prescribed in subsection D of this section and shall detail a plan for spending all matching grant and local monies.

F. Except as provided in subsection G of this section, monies distributed pursuant to this section shall be used only for public transit purposes, including operating and capital purposes, that are determined by the distributing agency to conform with the long-range transportation plan or regional transportation plan.

G. A city, town or county may use monies it receives pursuant to this section for other transportation purposes if it receives less than two thousand five hundred dollars pursuant to this section in a calendar year.

H. On or before November 1 of each year, a regional public transportation authority or metropolitan planning organization that receives monies pursuant to this section shall submit an annual report to the director that contains the following information that is attested to by an independent certified public accountant:

1. A schedule of beginning and ending fund balances.

2. All monies received pursuant to this section and the specific purposes for which they are spent, including whether they are spent for operating or capital purposes.

3. All local matching expenditures made pursuant to this section.

I. On or before January 1 of each year, the director shall submit a report on compliance with the reporting requirements prescribed in this section to the governor, the president of the senate, the speaker of the house of representatives and the joint legislative budget committee. The director's report shall include:

1. A determination of whether each regional public transportation authority and metropolitan planning organization has complied with the reporting requirements prescribed in this section.

2. A summary of the monies allocated to each regional public transportation authority and metropolitan planning organization pursuant to this section in the preceding fiscal year.

3. A summary of local monies spent on public transit pursuant to this section.

J. The director shall notify by certified mail each regional public transportation authority and metropolitan planning organization that is not in compliance with the reporting requirements prescribed in this section of its noncompliance. A regional public transportation authority or

metropolitan planning organization that receives this notice shall comply with the reporting requirements prescribed in this section within thirty days after receipt of the notice. If a regional public transportation authority or metropolitan planning organization fails to comply with the reporting requirements prescribed in this section within thirty days after receipt of the notice, it is not eligible to receive any monies pursuant to this section in the next fiscal year.

K. A metropolitan planning organization, city, town or county may enter into an intergovernmental agreement with a federally recognized Indian tribe to provide financial assistance pursuant to this section for maintaining or operating an existing public transit service provided by the Indian tribe.

L. For the purposes of this section:

1. "Local monies" means:

(a) Revenue that is generated by a city, town or county from nonfederal sources and that was first appropriated by the city, town or county for public transit activities in or after fiscal year 1993-1994.

(b) Donations that are received by a city, town or county from nongovernmental sources and that are in the form of monies or in-kind contributions.

2. "Population" means the population of a city, town or county as defined pursuant to section 41-563.

3. "Public transit" means local, regional or intercity transportation of passengers by means of a public conveyance, including para-transit, and local transportation of passengers by car pool vehicle. For the purposes of this paragraph, "car pool vehicle" means any motor vehicle when operated by a car pool operator as defined in section 28-4032.

Sec. 30. Section 41-1276, Arizona Revised Statutes, is amended to read:

41-1276. <u>Truth in taxation levy for equalization assistance to school districts</u>

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 primary net assessed value for the preceding tax year as provided in section 42-17151, subsection A, paragraph 3.

2. Determine the statewide primary 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 that meets 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 increase by $_____.

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 one hundred thousand dollar 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 ~~2007~~ 2008 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 ~~$1.6020~~ $1.4622 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 ~~$3.2040~~ $2.9244. The state equalization assistance property tax rate in tax years 2006, 2007 and 2008 is zero. The state equalization assistance property tax rate in tax year 2009 shall be computed by annually adjusting the tax year 2005 rate of $0.4358 as provided by this section through tax year 2009.

Sec. 31. Repeal

Section 41-3008.14, Arizona Revised Statutes, is repealed.

Sec. 32. Repeal

Section 41-3008.19, Arizona Revised Statutes, is repealed.

Sec. 33. Title 41, chapter 27, article 2, Arizona Revised Statutes, is amended by adding section 41-3010.24, to read:

41-3010.24. Commission for postsecondary education; termination July 1, 2010

A. THE COMMISSION FOR POSTSECONDARY EDUCATION TERMINATES ON JULY 1, 2010.

B. TITLE 15, CHAPTER 14, ARTICLE 5 IS REPEALED ON JANUARY 1, 2011.

Sec. 34. Title 41, chapter 27, article 2, Arizona Revised Statutes, is amended by adding section 41-3018.19, to read:

41-3018.19. School facilities board; termination July 1, 2018

A. THE SCHOOL FACILITIES BOARD TERMINATES ON JULY 1, 2018.

B. TITLE 15, CHAPTER 16 IS REPEALED ON JANUARY 1, 2019 ONLY IF EITHER:

1. THE BOARD HAS NO OUTSTANDING STATE SCHOOL FACILITIES REVENUE BONDS ISSUED PURSUANT TO TITLE 15, CHAPTER 16, ARTICLE 6, NO OUTSTANDING STATE SCHOOL IMPROVEMENT REVENUE BONDS ISSUED PURSUANT TO TITLE 15, CHAPTER 16, ARTICLE 7 AND NO OUTSTANDING LEASE-TO-OWN TRANSACTIONS PURSUANT TO SECTIONS 15-2004, 15-2005 AND 15-2006.

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 OCCURRED ON OR BEFORE JANUARY 1, 2019, TITLE 15, CHAPTER 16 IS REPEALED THIRTY DAYS AFTER THE RETIREMENT OF ALL REVENUE BONDS ISSUED PURSUANT TO TITLE 15, CHAPTER 16, ARTICLES 6 AND 7 AND ANY OUTSTANDING LEASE-TO-OWN TRANSACTIONS ISSUED PURSUANT TO SECTIONS 15-2004, 15-2005 AND 15-2006.

Sec. 35. Distribution of lottery revenues to university capital lease-to-own and bond fund in fiscal year 2008-2009

In addition to other distributions prescribed by law, of the monies remaining in the state lottery fund in fiscal year 2008-2009 after appropriations and deposits authorized in section 5-522, subsections A through G, Arizona Revised Statutes, as amended by this act, and after a total of at least $47,000,000 has been deposited in the state general fund, an additional $10,000,000 shall be deposited in the state general fund and the remaining balance in the state lottery fund shall be deposited in the university capital improvement lease-to-own and bond fund established by section 15-1682.03, Arizona Revised Statutes, as added by this act, up to a maximum of $20,000,000.

Sec. 36. Exemption from rule making

A. For the purposes of this act, the Arizona board of regents is exempt from the rule making requirements of title 41, chapter 6, Arizona Revised Statutes, for one year after the effective date of this act.

B. For the purposes of this act, the Arizona state lottery commission is exempt from the rule making requirements of title 41, chapter 6, Arizona Revised Statutes, until December 31, 2008.

Sec. 37. Distribution of lottery revenues to local transportation assistance fund in fiscal year 2008-2009

Notwithstanding section 5-522, subsection A, paragraph 3, Arizona Revised Statutes, as amended by this act, in fiscal year 2008-2009 the sum of $9,499,300 shall be paid from the state lottery fund to the local transportation assistance fund established by section 28-8101, Arizona Revised Statutes, as amended by this act.

Sec. 38. Appropriation; operating expenses for an agencywide performance based compensation plan

The sum of $750,000 is appropriated from the state lottery fund in fiscal year 2008-2009 to the Arizona state lottery for operating expenses for an agencywide performance based compensation plan for state lottery employees.

Sec. 39. University of Arizona Phoenix biomedical campus

Of the maximum of one billion dollars in lease-to-own and bond agreements authorized under section 15-1682.03, Arizona Revised Statutes, as added by this act, the Arizona board of regents shall allocate $470,000,000 in bond proceeds to the construction of the university of Arizona Phoenix biomedical campus.

Sec. 40. Financial aid trust fund; required state match

Notwithstanding section 15-1642, subsection C, Arizona Revised Statutes, for fiscal year 2008-2009, each dollar raised pursuant to the surcharge on student registration established in section 15-1642, subsection A, Arizona Revised Statutes, may be matched by less than two dollars appropriated by the legislature.

Sec. 41. Community colleges; capital outlay aid; suspension

Notwithstanding section 15-1464, Arizona Revised Statutes, or any other law, capital outlay state aid for community colleges is suspended for fiscal year 2008-2009.

Sec. 42. Community colleges; operating state aid

Notwithstanding section 15-1466, Arizona Revised Statutes, the fiscal year 2008-2009 appropriation for operating state aid for community colleges shall be the amount appropriated in the general appropriation act.

Sec. 43. Community colleges; equalization aid

Notwithstanding section 15-1468, Arizona Revised Statutes, the fiscal year 2008-2009 appropriation for equalization aid for community colleges shall be the amount appropriated in the general appropriation act.

Sec. 44. Repeal

Laws 2006, chapter 375, section 6 is repealed.

Sec. 45. Repeal

Laws 2007, chapter 264, section 14 is repealed.

Sec. 46. Purpose

Pursuant to section 41-2955, subsection B, Arizona Revised Statutes, the legislature continues the school facilities board to evaluate the school capital needs of school districts and to distribute monies to school districts in order to cure existing deficiencies, for building renewal and for the construction of new facilities.

Sec. 47. Joint technological education district equalization funding; pro rata reduction

A. Notwithstanding section 15-393, Arizona Revised Statutes, or any other law, the department of education shall fund state aid for joint technological education districts for fiscal year 2008-2009 at ninety-one per cent of the amount that otherwise would be provided by law.

B. Notwithstanding subsection A of this section, a joint technological education district shall not receive less equalization formula funding for fiscal year 2008-2009 than it received for fiscal year 2007-2008 except for reductions due to changes in student counts, net assessed property values or other technical factors or due to prior year adjustments or corrections. For the purposes of this subsection, "equalization formula funding" means the sum of a joint technological education district's base support level, as prescribed in section 15-943.02, Arizona Revised Statutes, and its capital outlay revenue limit and soft capital allocation, as prescribed in section 15-962.01, Arizona Revised Statutes.

Sec. 48. Reduction in school district state aid apportionment; fiscal year 2008-2009; appropriations in fiscal year 2009-2010

A. Notwithstanding any other law, the state board of education shall defer until July 1, 2009 $602,627,700 of the basic state aid and additional state aid payment that otherwise would be apportioned to school districts

under law on May 15, 2009 and June 15, 2009. The funding deferral required by this subsection does not apply to charter schools.

B. The sum of $602,627,700 is appropriated in fiscal year 2009-2010 from the state general fund to the state board of education and the superintendent of public instruction for basic state aid and additional state aid entitlement for fiscal year 2009-2010. This appropriation shall be disbursed on July 1, 2009 to the several counties for the school districts in each county in amounts equal to the reductions in apportionment of basic state aid and additional state aid that are required pursuant to subsection A for fiscal year 2008-2009.

C. The sum of $886,200 is appropriated in fiscal year 2009-2010 from the state general fund to the state board of education and the superintendent of public instruction for any costs to school districts that may be associated with the reductions in apportionment of basic state aid and additional state aid for fiscal year 2008-2009 that are required pursuant to subsection A. This appropriation shall be disbursed on July 1, 2009 to the several counties for the school districts in each county and shall be allocated based on the per cent of the total $602,627,700 deferred payment for fiscal year 2008-2009 that is attributable to each individual school district.

D. Notwithstanding any provision of law, for fiscal year 2009-2010, if the governing board of a school district incurred interest expenses for registering warrants in fiscal year 2008-2009 or expects to incur interest expenses for registering warrants in fiscal year 2009-2010 pursuant to subsection A, the governing board may budget an estimated amount for those interest expenses. Any such amount is specifically exempt from the revenue control limit in fiscal year 2009-2010. If the budgeted estimate amount is greater than the amount received pursuant to subsection C, the governing board shall not expend more than the amount received pursuant to subsection C. If the budgeted estimate amount is less than the amount received pursuant to subsection C, the governing board may revise its budget during fiscal year 2009-2010 to include the actual amount received pursuant to subsection C and shall not expend more than the amount received pursuant to subsection C.

E. School districts shall include in the revenue estimates that they use for computing their tax rates for fiscal year 2008-2009 the monies that they will receive pursuant to subsection C.

Sec. 49. <u>Technology assisted project-based instruction program; correction of state aid; prohibition</u>

Notwithstanding section 15-915, Arizona Revised Statutes, or any other law, the department of education shall not correct state aid for a technology assisted project-based instruction program for fiscal year 2007-2008 or prior fiscal years in order to address issues pertaining to concurrent enrollment that were identified in the October 2007 auditor general performance audit of the program.

Sec. 50. Audits; average daily membership

For fiscal year 2008-2009, the department of education or the office of the auditor general may conduct average daily membership audits of school districts and charter schools.

Sec. 51. Desegregation budget; limit

Notwithstanding section 15-910, Arizona Revised Statutes, the maximum amount that a school district may budget for desegregation activities for fiscal year 2008-2009 shall be computed as follows:

1. Determine the amount that the district budgeted for desegregation activities for fiscal year 2007-2008 pursuant to Laws 2007, chapter 264, section 15.

2. Compute the percentage increase in average daily membership for the district, as defined in section 15-901, Arizona Revised Statutes, as amended by this act, for the 2007-2008 school year above the 2006-2007 school year. If average daily membership for the district decreased for the 2007-2008 school year below the 2006-2007 school year, assume a per cent increase of zero.

3. Multiply the amount determined in paragraph 1 of this section by the percentage determined in paragraph 2 of this section.

4. Multiply the amount determined in paragraph 1 of this section by two per cent for assumed inflation.

5. Add the amounts determined in paragraphs 1, 3 and 4 of this section.

Sec. 52. Adjustment for rapid decline in student count for fiscal year 2008-2009

Notwithstanding section 15-942, Arizona Revised Statutes, for fiscal year 2008-2009, the department of education shall not provide rapid decline funding to school districts.

Sec. 53. New construction moratorium

A. Notwithstanding sections 15-2011 and 15-2041, Arizona Revised Statutes, for fiscal year 2008-2009, the school facilities board shall not authorize or award funding for the design or construction of any new school facility unless the school district qualifies under subsection C of this section. Additionally in fiscal year 2008-2009, the school facilities board shall not authorize or award funding for school site acquisitions.

B. During fiscal year 2008-2009, school districts shall submit capital plans according to section 15-2041, subsection C, Arizona Revised Statutes. The school facilities board may review and award new school facilities as outlined in section 15-2041, Arizona Revised Statutes, subject to future appropriations.

C. If a school district qualifies for additional space in fiscal year 2008-2009 due to the implementation of full-day kindergarten, the school facilities board shall provide monies for architectural and engineering fees, project management services and preconstruction services according to section 15-2041, subsection E, Arizona Revised Statutes.

1 Sec. 54. School facilities board lease-to-own
2 Notwithstanding section 15-2004, subsection M, section 15-2005,
3 subsection M and section 15-2006, Arizona Revised Statutes, the school
4 facilities board shall enter into lease-to-own transactions for up to a
5 maximum of $593,000,000 in fiscal year 2008-2009. Of this amount,
6 $344,000,000 shall be recouped from fiscal year 2007-2008 and prior year
7 expenditures, $8,000,000 shall be used for capital costs for full-day
8 kindergarten and $12,000,000 shall be used pursuant to section 59, subsection
9 B of this act, relating to school facilities board loan agreement. The
10 lease-to-own transactions shall not mature more than fifteen years from the
11 respective dates of the transaction.
12 Sec. 55. Intent
13 A. It is the intent of the legislature to expand teacher performance
14 pay programs for all school districts and charter schools by appropriating
15 monies to the classroom site fund.
16 B. It is the intent of the legislature that monies appropriated to the
17 classroom site fund as specified in section 15-977, subsection G, paragraph
18 3, Arizona Revised Statutes, as amended by this act, be used by school
19 districts and charter schools to enhance student achievement by providing
20 additional performance pay to teachers.
21 C. It is the intent of the legislature by this act to reduce local
22 property taxes and to reduce local property tax burdens of the taxpayers of
23 this state by requiring reductions in funding for school districts with
24 career ladder programs or optional performance incentive programs that choose
25 to participate in the additional performance pay programs established
26 pursuant to section 15-977, subsection G, paragraph 3, Arizona Revised
27 Statutes, as amended by this act.
28 Sec. 56. School facilities board cash flow
29 The sum of $117,000,000 is appropriated to the school facilities board
30 from the general fund in fiscal year 2008-2009 to use for new construction
31 projects due to an insufficient cash balance before lease-to-own proceeds are
32 received as pursuant to section 49 of this act. This appropriation shall be
33 repaid from the lease-to-own proceeds authorized in section 49 of this act by
34 the end of fiscal year 2008-2009.
35 Sec. 57. Purpose
36 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
37 the legislature continues the commission for postsecondary education to:
38 1. Conduct, supervise and coordinate the review of public and private
39 postsecondary education institutions in this state to determine their
40 eligibility for student financial aid monies.
41 2. Administer specifically identified federal and state financial aid
42 programs.
43 3. Provide a forum to public and private postsecondary education
44 institutions for discussion of issues of mutual interest.

4. Coordinate and promote studies of interest to postsecondary institutions.

5. Provide information to the public on postsecondary education opportunities in this state.

Sec. 58. Department of education; e-learning pilot program funding; reversion

Of the $3,000,000 appropriated from the state general fund to the department of education e-learning pilot program by Laws 2006, chapter 375, section 6, as notwithstood by Laws 2007, chapter 264, section 14, any unexpended amounts revert to the state general fund on the effective date of this act.

Sec. 59. Loan agreement; school facilities board

A. Notwithstanding section 15-342, Arizona Revised Statutes, until December 31, 2008, the school facilities board and a union high school district are authorized to enter into an loan agreement to fund facilities costs if the school district meets all of the following criteria:

1. The school facilities board determines in a public meeting that the union school district has an existing facility condition that violates the state minimum facilities guidelines established by section 15-2011, Arizona Revised Statutes.

2. The union high school district applied for emergency deficiencies funding for provided by section 15-2022, Arizona Revised Statutes, for the existing facility condition under paragraph 1 of this subsection and emergency deficiencies funding was denied by the school facilities board.

3. The school district is an union high school district that is located in a county with a population that exceeds one million five hundred thousand persons.

4. The school district's student count for the 2006-2007 school year was more than twelve thousand five hundred pupils and less than fourteen thousand pupils.

5. The school district has sufficient class B bonding capacity to cover the entire loan amount provided by the school facilities board.

6. An election will be requested pursuant to subsection D of this section to authorize the issuance of class B bonds to fund the existing facility condition under paragraph 1 of this subsection.

B. Notwithstanding section 15-2041, Arizona Revised Statutes, the school facilities board may loan up to twelve million dollars from monies in the new school facilities fund to a union high school district as provided in subsection A of this section.

C. The loan agreement entered into by the school facilities board and the union high school district pursuant to subsection A of this section shall include the specific purpose of the loan, including the list of capital improvements, the total amount of the loan, the repayment schedule and the conditions under which the school facilities board is authorized to loan monies to the union high school district as provided in this section. The

1 school facilities board shall consider the availability of school district
2 monies when establishing the repayment schedule.
3 D. If a union school district enters into a loan agreement with the
4 school facilities board pursuant to subsection A of this section, the school
5 district governing board shall request that the county school superintendent
6 call for an election no later than twelve months of the date of the loan
7 agreement entered into by the school facilities board and the union high
8 school district to authorize the school district to issue class B bonds for
9 the purposes prescribed in this section. The publicity pamphlet for the bond
10 election shall be prepared and distributed pursuant to section 15-491,
11 subsection H, paragraph 6, subdivision (b), Arizona Revised Statutes.
12 E. Notwithstanding any other law, if the qualified electors in the
13 union high school district authorize class B bonds to be issued, the union
14 high school district governing board shall issue bonds within three months of
15 the election and shall expend bond proceeds to repay the total loan amount as
16 provided in the loan agreement with the school facilities board.
17 F. Notwithstanding any other law, if the qualified electors do not
18 authorize bonds to be issued, the union high school district governing board
19 shall repay the loan with building renewal monies or unrestricted capital
20 outlay monies based on a repayment schedule outlined in the loan agreement.
21 G. Notwithstanding any other law, if the qualified electors authorize
22 bonds in a subsequent bond election, the union high school district shall
23 expend bond proceeds to repay the remainder of the loan amount.
24 Sec. 60. Building renewal fund suspension
25 Notwithstanding section 15-2031, Arizona Revised Statutes, the building
26 renewal fund shall be suspended for fiscal year 2008-2009.
27 Sec. 61. Retroactivity
28 Sections 32 and 34 of this act, relating to the school facilities
29 board, are effective retroactively to July 1, 2008.
30 Sec. 62. Retroactivity
31 Sections 31 and 33 of this act, relating to the commission for
32 postsecondary education, are effective retroactively to July 1, 2008.
33 Sec. 63. Task force on the Arizona assessment of achievements
34 test
35 A. The task force on the Arizona assessment of achievements test is
36 established consisting of the following members from diverse urban and rural
37 areas who shall be appointed by the state board of education:
38 1. A person with expertise and experience in the academic assessment
39 of pupils.
40 2. A principal of a high school in this state.
41 3. A person with expertise in school finance.
42 4. A person with expertise and experience in high school standards and
43 curriculum.
44 5. A person with expertise and experience in business or industry.

6. A person with expertise and experience in high school systems and high school resources, including human resources.

7. A person with expertise and experience in the delivery and utilization of technology in high schools.

B. The state board of education shall select one of the appointed members to serve as the task force chairperson.

C. The task force shall:

1. Examine the experiences and outcomes of other states that have adopted tests that are required for the graduation of pupils from high school and that incorporate a national college admission and placement examination.

2. Develop methodologies, models and other recommendations for the initial Arizona assessment of achievements test.

3. Examine whether the Arizona assessment of achievements test should be a high-stakes test that high school pupils must pass in order to graduate from high school.

4. Submit a written report that contains the task force's findings and recommendations by June 30, 2009 to the state board of education, the governor, the speaker of the house of representatives and the president of the senate. The task force shall provide a copy of this report to the secretary of state and the director of the Arizona state library, archives and public records.

D. The task force may use the services and expertise of the staff of the legislature and the staff of the department of education.

Sec. 64. Delayed repeal

Section 58 of this act, relating to the task force on the Arizona assessment of achievements test, is repealed from and after September 15, 2009.

Sec. 65. Duration of contracts for standardized tests

Any contracts executed after June 30, 2008 between the state board of education and a publisher of standardized tests for services provided in connection with the design, modification, administration, scoring or evaluation of the Arizona instrument to measure standards test shall not exceed one year in duration.

Sec. 66. Conforming legislation

The legislative council staff shall prepare proposed legislation conforming the Arizona Revised Statutes to the recommendations of the task force on the Arizona assessment of achievements test for consideration in the forty-ninth legislature, second regular session.

Sec. 67. Debt calculation limit; exemption; reporting

A. Notwithstanding section 15-1683, subsection A, paragraph 1, subdivision (a), Arizona Revised Statutes, monies distributed from the university capital improvement lease-to-own and bond fund, established in section 15-1682.03, Arizona Revised Statutes, shall not be included in the debt calculation limit established in section 15-1683, subsection A, paragraph 1, subdivision (a), Arizona Revised Statutes.

B. Each university shall report separately in its capital improvement plan what the debt calculation established in section 15-1683, subsection A, paragraph 1, subdivision (a), Arizona Revised Statutes, would be with and without the debt service requirements from subsection A of this section.

Sec. 68. Emergency

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

NOT ENACTED

APPROVED BY THE GOVERNOR JUNE 27, 2008.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2008.