

Senate Engrossed House Bill

FILED

**KEN BENNETT
SECRETARY OF STATE**

State of Arizona
House of Representatives
Fiftieth Legislature
First Regular Session
2011

CHAPTER 197

HOUSE BILL 2421

AN ACT

AMENDING SECTIONS 15-481, 15-904 AND 15-905, ARIZONA REVISED STATUTES;
RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-481, Arizona Revised Statutes, is amended to
3 read:

4 15-481. Override election; budget increases; notice; ballot;
5 effect

6 A. If a proposed budget of a school district exceeds the aggregate
7 budget limit for the budget year, at least ninety days before the proposed
8 election the governing board shall order an override election to be held on
9 the first Tuesday following the first Monday in November as prescribed by
10 section 16-204, subsection B, paragraph 1, subdivision (d) for the purpose of
11 presenting the proposed budget to the qualified electors of the school
12 district who by a majority of those voting either shall affirm or reject the
13 budget. In addition, the governing board shall prepare an alternate budget
14 which does not include an increase in the budget of more than the amount
15 permitted as provided in section 15-905. If the qualified electors approve
16 the proposed budget, the governing board of the school district shall follow
17 the procedures prescribed in section 15-905 for adopting a budget that
18 includes the authorized increase. If the qualified electors disapprove the
19 proposed budget, the governing board shall follow the procedures prescribed
20 in section 15-905 for adopting a budget that does not include the proposed
21 increase or the portion of the proposed increase that exceeds the amount
22 authorized by a previously approved budget increase as prescribed in
23 subsection P of this section.

24 B. The county school superintendent shall prepare an informational
25 report on the proposed increase in the budget and a sample ballot and, at
26 least forty days prior to the election, shall transmit the report and the
27 sample ballot to the governing board of the school district. The governing
28 board, upon receipt of the report and the ballot, shall mail or distribute
29 the report and the ballot to the households in which qualified electors
30 reside within the school district at least thirty-five days prior to the
31 election. Any distribution of material concerning the proposed increase in
32 the budget shall not be conducted by children enrolled in the school
33 district. The report shall contain the following information:

34 1. The date of the election.
35 2. The voter's polling place and the times it is open.
36 3. The proposed total increase in the budget which exceeds the amount
37 permitted pursuant to section 15-905.

38 4. The total amount of the current year's budget, the total amount of
39 the proposed budget and the total amount of the alternate budget.

40 5. If the override is for a period of more than one year, a statement
41 indicating the number of years the proposed increase in the budget would be
42 in effect and the percentage of the school district's revenue control limit
43 that the district is requesting for the future years.

1 6. The proposed total amount of revenues which will fund the increase
2 in the budget and the amount which will be obtained from a levy of taxes upon
3 the taxable property within the school district for the first year for which
4 the budget increase was adopted.

5 7. The proposed amount of revenues which will fund the increase in the
6 budget and which will be obtained from other than a levy of taxes upon the
7 taxable property within the school district for the first year for which the
8 budget increase was adopted.

9 8. The dollar amount and the purpose for which the proposed increase
10 in the budget is to be expended for the first year for which the budget
11 increase was adopted.

12 9. At least two arguments, if submitted, but no more than ten
13 arguments for and two arguments, if submitted, but no more than ten arguments
14 against the proposed increase in the budget. The arguments shall be in a
15 form prescribed by the county school superintendent, and each argument shall
16 not exceed two hundred words. Arguments for the proposed increase in the
17 budget shall be provided in writing and signed by the governing board. If
18 submitted, additional arguments in favor of the proposed increase in the
19 budget shall be provided in writing and signed by those in favor. Arguments
20 against the proposed increase in the budget shall be provided in writing and
21 signed by those in opposition. The names of those persons other than the
22 governing board or superintendent submitting written arguments shall not be
23 included in the report without their specific permission, but shall be made
24 available only upon request to the county school superintendent. The county
25 school superintendent shall review all factual statements contained in the
26 written arguments and correct any inaccurate statements of fact. The
27 superintendent shall not review and correct any portion of the written
28 arguments which are identified as statements of the author's opinion. The
29 county school superintendent shall make the written arguments available to
30 the public as provided in title 39, chapter 1, article 2. A deadline for
31 submitting arguments to be included in the informational report shall be set
32 by the county school superintendent.

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

36 11. The full cash value, the assessed valuation, the first year tax
37 rate for the proposed override and the estimated amount of the secondary
38 property taxes if the proposed budget is adopted for each of the following:

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

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

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

3 (d) A business whose assessed valuation is the average of the assessed
4 valuation of property classified as class one, as prescribed by section
5 42-12001, paragraphs 12 and 13 for the current year in the school district.

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

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

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

14 (c) The tax rate associated with each of the proposed capital
15 improvements and the estimated cost of each capital improvement for the owner
16 of a single family home that is valued at eighty thousand dollars.

17 C. For the purpose of this section, the school district may use its
18 staff, equipment, materials, buildings or other resources only to distribute
19 the informational report at the school district office or at public hearings
20 and to produce such information as required in subsection B of this section,
21 provided that nothing in this subsection shall preclude school districts from
22 holding or participating in any public hearings at which testimony is given
23 by at least one person for the proposed increase and one person against the
24 proposed increase. Any written information provided by the district
25 pertaining to the override election shall include financial information
26 showing the estimated first year tax rate for the proposed budget override
27 amount.

28 D. If any amount of the proposed increase will be funded by a levy of
29 taxes in the district, the election prescribed in subsection A of this
30 section shall be held on the first Tuesday following the first Monday in
31 November as prescribed by section 16-204, subsection B, paragraph 1,
32 subdivision (d). If the proposed increase will be fully funded by revenues
33 from other than a levy of taxes, the elections prescribed in subsection A of
34 this section shall be held on any date prescribed by section 16-204. The
35 elections shall be conducted as nearly as practicable in the manner
36 prescribed in article 1 of this chapter, sections 15-422 through 15-424 and
37 section 15-426, relating to special elections, except that:

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

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

42 E. If the election is to exceed the revenue control limit and if the
43 proposed increase will be fully funded by a levy of taxes upon the taxable
44 property within the school district, the ballot shall contain the words
45 "budget increase, yes" and "budget increase, no", and the voter shall signify

1 his desired choice. The ballot shall also contain the amount of the proposed
2 increase of the proposed budget over the alternate budget, a statement that
3 the amount of the proposed increase will be based on a percentage of the
4 school district's revenue control limit in future years, if applicable, as
5 provided in subsection P of this section and the following statement:

6 Any budget increase authorized by this election shall be
7 entirely funded by a levy of taxes upon the taxable property
8 within this school district for the year for which adopted and
9 for ____ subsequent years, shall not be realized from monies
10 furnished by the state and shall not be subject to the
11 limitation on taxes specified in article IX, section 18,
12 Constitution of Arizona. Based on an estimate of assessed
13 valuation used for secondary property tax purposes, to fund the
14 proposed increase in the school district's budget would require
15 an estimated tax rate of _____ dollar per one hundred
16 dollars of assessed valuation used for secondary property tax
17 purposes and is in addition to the school district's tax rate
18 which will be levied to fund the school district's revenue
19 control limit allowed by law.

20 F. If the election is to exceed the revenue control limit and if the
21 proposed increase will be fully funded by revenues from other than a levy of
22 taxes upon the taxable property within the school district, the ballot shall
23 contain the words "budget increase, yes" and "budget increase, no", and the
24 voter shall signify the voter's desired choice. The ballot shall also
25 contain:

26 1. The amount of the proposed increase of the proposed budget over the
27 alternate budget.

28 2. A statement that the amount of the proposed increase will be based
29 on a percentage of the school district's revenue control limit in future
30 years, if applicable, as provided in subsection P of this section.

31 3. The following statement:

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

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

1 maximum budget increase that may be requested and authorized as provided in
 2 subsection E or F of this section or the combination of subsections E and F
 3 of this section is ten per cent of the revenue control limit as provided in
 4 section 15-947, subsection A for the budget year.

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

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

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

16 (i)

17	Small School	Support Level Weight		Phase Down
18	Student	for Small Isolated		Reduction
19	<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>
20	- 125	x 1.358 + (0.0005 x	x \$	= \$
21		(500 - Student Count))		
22			Small Isolated	
23	Phase Down	Phase Down	School District	
24	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
25	\$150,000	- \$	= \$	

26 (ii)

27	Small School	Support Level Weight		Phase Down
28	Student	for Small		Reduction
29	<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>
30	- 125	x 1.278 + (0.0003 x	x \$	= \$
31		(500 - Student Count))		
32			Small	
33	Phase Down	Phase Down	School District	
34	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
35	\$150,000	- \$	= \$	

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

40 (i)

41	Small School	Support Level Weight		Phase Down
42	Student	for Small Isolated		Reduction
43	<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>
44	- 100	x 1.468 + (0.0005 x	x \$	= \$

1			(500 - Student Count))		
2					Small Isolated
3		Phase Down	Phase Down		District
4		<u>Base</u>	<u>Reduction Factor</u>		<u>Secondary Limit</u>
5		\$350,000 -	\$ _____	=	\$ _____
6	(ii)				
7		Small School	Support Level Weight		Phase Down
8	Student	Student	for Small		Reduction
9	<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
10	_____ -	100 x	1.398 + (0.0004 x	x	\$ _____ = \$ _____
11			(500 - Student Count))		
12					Small
13		Phase Down	Phase Down		School District
14		<u>Base</u>	<u>Reduction Factor</u>		<u>Secondary Limit</u>
15		\$350,000 -	\$ _____	=	\$ _____

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

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

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

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

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

42 I. If the election is to exceed the revenue control limit as provided
 43 in section 15-482 and if the proposed increase will be fully funded by a levy
 44 of taxes on the taxable property within the school district, the ballot shall
 45 contain the words "budget increase, yes" and "budget increase, no", and the

1 voter shall signify the voter's desired choice. The ballot shall also
2 contain the amount of the proposed increase of the budget over the alternate
3 budget, a statement that the amount of the proposed increase will be based on
4 a percentage of the school district's revenue control limit in future years,
5 if applicable, as provided in subsection Q of this section, and the following
6 statement:

7 Any budget increase authorized by this election shall be
8 entirely funded by a levy of taxes on the taxable property
9 within this school district for the year for which adopted and
10 for _____ subsequent years, shall not be realized from monies
11 furnished by the state and shall not be subject to the
12 limitation on taxes specified in article IX, section 18,
13 Constitution of Arizona. Based on an estimate of assessed
14 valuation used for secondary property tax purposes, to fund the
15 proposed increase in the school district's budget which will be
16 funded by a levy of taxes upon the taxable property within this
17 school district would require an estimated tax rate of
18 _____ dollar per one hundred dollars of assessed valuation
19 used for secondary property tax purposes and is in addition to
20 the school district's tax rate that will be levied to fund the
21 school district's revenue control limit allowed by law.

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

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

38 K. The maximum budget increase that may be requested and authorized as
39 provided in subsection I or J of this section, or a combination of both of
40 these subsections, is five per cent of the revenue control limit as provided
41 in section 15-947, subsection A for the budget year. For a common school
42 district not within a high school district or a common school district within
43 a high school district that offers instruction in high school subjects as
44 provided in section 15-447, five per cent of the revenue control limit means
45 five per cent of the revenue control limit attributable to the weighted

1 student count in preschool programs for children with disabilities,
2 kindergarten programs and grades one through eight as provided in section
3 15-971, subsection B. For a unified school district, five per cent of the
4 revenue control limit means five per cent of the revenue control limit
5 attributable to the weighted student count in preschool programs for children
6 with disabilities, kindergarten programs and grades one through twelve. For
7 a union high school district, five per cent of the revenue control limit
8 means five per cent of the revenue control limit attributable to the weighted
9 student count in grades nine through twelve.

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

18 Any budget increase authorized by this election shall be
19 entirely funded by a levy of taxes upon the taxable property
20 within this school district for the year in which adopted and
21 for _____ subsequent years, shall not be realized from monies
22 furnished by the state and shall not be subject to the
23 limitation on taxes specified in article IX, section 18,
24 Constitution of Arizona. Based on an estimate of assessed
25 valuation used for secondary property tax purposes, to fund the
26 proposed increase in the school district's budget would require
27 an estimated tax rate of _____ dollar per one hundred
28 dollars of assessed valuation used for secondary property tax
29 purposes and is in addition to the school district's tax rate
30 which will be levied to fund the school district's capital
31 outlay revenue limit allowed by law.

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

41 Any budget increase authorized by this election shall be
42 entirely funded by this school district with revenues from other
43 than a levy of taxes on the taxable property within the school
44 district for the year in which adopted and for _____ subsequent

1 years and shall not be realized from monies furnished by the
2 state.

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

10 O. If the election provides for a levy of taxes on the taxable
11 property within the school district, at least thirty days prior to the
12 election, the department of revenue shall provide the school district
13 governing board and the county school superintendent with an estimate of the
14 school district's assessed valuation used for secondary property tax purposes
15 for the ensuing fiscal year. The governing board and the county school
16 superintendent shall use this estimate to translate the amount of the
17 proposed dollar increase in the budget of the school district over that
18 allowed by law into a tax rate figure.

19 P. If the voters in a school district vote to adopt a budget in excess
20 of the revenue control limit as provided in subsection E or F of this
21 section, any additional increase shall be included in the aggregate budget
22 limit for each of the years authorized. Any additional increase shall be
23 excluded from the determination of equalization assistance. The school
24 district governing board, however, may levy on the assessed valuation used
25 for secondary property tax purposes of the property in the school district
26 the additional increase if adopted under subsection E of this section for the
27 period of one year, two years or five through seven years as authorized. If
28 an additional increase is approved as provided in subsection F of this
29 section, the school district governing board may only use revenues derived
30 from the school district's prior year's maintenance and operation fund ending
31 cash balance to fund the additional increase. If a budget increase was
32 previously authorized and will be in effect for the budget year or budget
33 year and subsequent years, as provided in subsection E or F of this section,
34 the governing board may request a new budget increase as provided in the same
35 subsection under which the prior budget increase was adopted, which shall not
36 exceed the maximum amount permitted under subsection G of this section. If
37 the voters in the school district authorize the new budget increase amount,
38 the existing budget increase no longer is in effect. If the voters in the
39 school district do not authorize the budget increase amount, the existing
40 budget increase remains in effect for the time period for which it was
41 authorized. The maximum additional increase authorized as provided in
42 subsection E or F of this section and the additional increase which is
43 included in the aggregate budget limit is based on a percentage of a school
44 district's revenue control limit in future years, if the budget increase is
45 authorized for more than one year. If the additional increase:

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

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

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

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

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

41 R. If the voters in a school district vote to adopt a budget in excess
42 of the capital outlay revenue limit as provided in subsection L of this
43 section, any additional increase shall be included in the aggregate budget
44 limit for each of the years authorized. The additional increase shall be
45 excluded from the determination of equalization assistance. The school

1 district governing board, however, may levy on the assessed valuation used
2 for secondary property tax purposes of the property in the school district
3 the additional increase for the period authorized but not to exceed ten
4 years. For overrides approved by a vote of the qualified electors of the
5 school district at an election held from and after October 31, 1998, the
6 period of the additional increase prescribed in this subsection shall not
7 exceed seven years for any capital override election.

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

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

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

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

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

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

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

44 _____ school district is proposing to increase its
45 budget by \$_____ to fund capital improvements over and

1 above those funded by the state. Under the students first
2 capital funding system, _____ school district is entitled to
3 state monies for building renewal, new construction and
4 renovation of school buildings in accordance with state law.

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

8 3. At least eighty-five days before the election, the school district
9 shall submit proposed ballot language to the director of the Arizona
10 legislative council. The director of the Arizona legislative council shall
11 review the proposed ballot language to determine whether the proposed ballot
12 language complies with this section. If the director of the Arizona
13 legislative council determines that the proposed ballot language does not
14 comply with this section, the director, within ten calendar days of the
15 receipt of the proposed ballot language, shall notify the school district of
16 the director's objections and the school district shall resubmit revised
17 ballot language to the director for approval.

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

24 Y. Each school district that currently increases its budget pursuant
25 to ~~subsection L or M of this section~~ is required to hold a public meeting
26 each year between September 1 and October 31 at which an update of the
27 ~~progress of~~ PROGRAMS OR capital improvements financed through the override is
28 discussed and at which the public is permitted an opportunity to comment
29 AND: —

30 1. IF THE INCREASE IS PURSUANT TO SUBSECTION L OR M OF THIS SECTION,
31 at a minimum, the update shall include THE PROGRESS OF CAPITAL IMPROVEMENTS
32 FINANCED THROUGH THE OVERRIDE, a comparison of the current status and the
33 original projections on the construction of capital improvements, the costs
34 of capital improvements and the costs of capital improvements in progress or
35 completed since the prior meeting and the future capital plans of the school
36 district. The school district shall include in the public meeting a
37 discussion of the school district's use of state capital aid and
38 voter-approved bonding in funding capital improvements, if any.

39 2. IF THE INCREASE IS PURSUANT TO SUBSECTION E, F, I OR J OF THIS
40 SECTION, THE UPDATE SHALL INCLUDE AT A MINIMUM THE AMOUNT EXPENDED IN THE
41 PREVIOUS FISCAL YEAR AND THE AMOUNT INCLUDED IN THE CURRENT BUDGET FOR EACH
42 OF THE PURPOSES LISTED IN THE INFORMATIONAL REPORT PRESCRIBED BY SUBSECTION B
43 OF THIS SECTION.

1 Z. If a budget in excess of the capital outlay revenue limit was
2 previously adopted by the voters in a school district and will be in effect
3 for the budget year or budget year and subsequent years, as provided in
4 subsection L or M of this section, the governing board may request an
5 additional budget in excess of the capital outlay revenue limit. If the
6 voters in a school district authorize the additional budget in excess of the
7 capital outlay revenue limit, the existing capital outlay revenue limit
8 budget increase remains in effect.

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

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

22 Any budget increase continuation authorized by this
23 election shall be entirely funded by a levy of taxes on the
24 taxable property in this school district for the year for which
25 adopted and for ____ subsequent years, shall not be realized
26 from monies furnished by the state and shall not be subject to
27 the limitation on taxes specified in article IX, section 18,
28 Constitution of Arizona. Based on an estimate of assessed
29 valuation used for secondary property tax purposes, to fund the
30 proposed continuation of the increase in the school district's
31 budget would require an estimated continuation of a tax rate of
32 _____ dollar per one hundred dollars of assessed
33 valuation used for secondary property tax purposes and is in
34 addition to the school district's tax rate that will be levied
35 to fund the school district's revenue control limit allowed by
36 law.

37 CC. If the election is to continue to exceed the revenue control limit
38 as provided in section 15-482 and if the proposed override will be fully
39 funded by a continuation of a levy of taxes on the taxable property in the
40 school district, the ballot shall contain the words "budget override
41 continuation, yes" and "budget override continuation, no", and the voter
42 shall signify the voter's desired choice. The ballot shall also contain the
43 amount of the proposed continuation of the budget increase of the proposed
44 budget over the alternate budget, a statement that the amount of the proposed
45 increase will be based on a percentage of the school district's revenue

1 control limit in future years, if applicable, as provided in subsection P of
2 this section and the following statement:

3 Any budget increase continuation authorized by this
4 election shall be entirely funded by a levy of taxes on the
5 taxable property in this school district for the year for which
6 adopted and for ____ subsequent years, shall not be realized
7 from monies furnished by the state and shall not be subject to
8 the limitation on taxes specified in article IX, section 18,
9 Constitution of Arizona. Based on an estimate of assessed
10 valuation used for secondary property tax purposes, to fund the
11 proposed continuation of the increase in the school district's
12 budget would require an estimated continuation of a tax rate of
13 _____ dollar per one hundred dollars of assessed
14 valuation used for secondary property tax purposes and is in
15 addition to the school district's tax rate that will be levied
16 to fund the school district's revenue control limit allowed by
17 law.

18 Sec. 2. Section 15-904, Arizona Revised Statutes, is amended to read:
19 15-904. School district annual financial report; publication;
20 summary

21 A. The governing board of each school district shall publish an annual
22 financial report for the prior fiscal year by November 15. The auditor
23 general in conjunction with the department of education shall prescribe the
24 format of the financial report to be used by school districts. The financial
25 report shall contain budgeted and actual expenditures for the preceding
26 fiscal year and shall be prepared and distributed by October 15 by the school
27 district with a copy to the county school superintendent. A copy of the
28 annual financial report shall be submitted electronically by the school
29 district to the superintendent of public instruction by October 15. The
30 annual financial report shall be approved by the county school superintendent
31 in an electronic procedure as prescribed by the department of education. ON
32 OR BEFORE OCTOBER 15, THE GOVERNING BOARD SHALL SUBMIT THE ANNUAL FINANCIAL
33 REPORT FOR THE PREVIOUS FISCAL YEAR TO THE DEPARTMENT OF EDUCATION, WHICH
34 SHALL PROMINENTLY DISPLAY THIS INFORMATION ABOUT THAT SCHOOL DISTRICT ON THE
35 WEBSITE MAINTAINED BY THE DEPARTMENT. IF THE SCHOOL DISTRICT MAINTAINS A
36 WEBSITE, THE SCHOOL DISTRICT SHALL POST A LINK TO THE WEBSITE OF THE
37 DEPARTMENT OF EDUCATION WHERE THIS INFORMATION ABOUT THE SCHOOL DISTRICT IS
38 POSTED. School districts that are subject to section 15-914.01 are not
39 required to send a copy to the county school superintendent.

40 B. In addition to the information required in subsection A of this
41 section, the annual financial report shall contain detailed information on
42 the school district budgeted and actual expenditures from the bond building
43 fund, the soft capital allocation fund, the deficiencies correction fund, the
44 building renewal fund and the new school facilities fund, including but not
45 limited to information on classified salaries, employee benefits, interest

1 and fiscal charges, capital lease agreements, land and improvements,
2 buildings and improvements, furniture and equipment, technology and vehicles
3 and transportation equipment for pupils. The information shall specify
4 whether the expenditures are for school district renovation or for new
5 construction, the cost per square foot, and land acquisition costs, as
6 appropriate.

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

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

28 E. The superintendent of public instruction shall compile the
29 financial reports of the school districts, including expenditure data for
30 federal and state projects, and shall report to the governor and the
31 legislature on or before January 15 of each year as provided in section
32 15-255.

33 Sec. 3. Section 15-905, Arizona Revised Statutes, is amended to read:
34 15-905. School district budgets; notice; adoption; aggregate
35 budget limit; summary; adjustments; impact aid fund;
36 definition

37 A. Not later than July 5 of each year or no later than the publication
38 of notice of the public hearing and board meeting as required by this
39 section, the governing board of each school district shall prepare and
40 furnish to the superintendent of public instruction and the county school
41 superintendent, unless waived by the county school superintendent, a proposed
42 budget in electronic format for the budget year, which shall contain the
43 information and be in the form as provided by the department of education.
44 The proposed budget shall include the following:

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

3 2. The total amount of revenues by source that will be necessary to
4 meet the proposed budget of the school district, excluding property taxes.
5 The governing board shall prepare the proposed budget and a summary of the
6 proposed budget. Both documents shall be kept on file at the school district
7 office and shall be made available to the public upon request. NOT LATER
8 THAN JULY 5 OF EACH YEAR OR NOT LATER THAN THE PUBLICATION OF NOTICE OF THE
9 PUBLIC HEARING AND BOARD MEETING REQUIRED BY THIS SUBSECTION, THE GOVERNING
10 BOARD SHALL SUBMIT THE PROPOSED BUDGET TO THE DEPARTMENT OF EDUCATION, WHICH
11 SHALL PROMINENTLY DISPLAY THIS INFORMATION ABOUT THAT SCHOOL DISTRICT ON THE
12 WEBSITE MAINTAINED BY THE DEPARTMENT. IF THE SCHOOL DISTRICT MAINTAINS A
13 WEBSITE, THE SCHOOL DISTRICT SHALL POST A LINK TO THE WEBSITE OF THE
14 DEPARTMENT OF EDUCATION WHERE THIS INFORMATION ABOUT THE SCHOOL DISTRICT IS
15 POSTED. The auditor general in conjunction with the department of education
16 shall prescribe the form of the summary of the proposed budget for use by
17 governing boards. School district governing boards may include in the
18 proposed budget any items or amounts which are authorized by legislation
19 filed with the secretary of state and which will become effective during the
20 budget year. If subsequent events prevent the legislation from becoming
21 effective, school district governing boards must reduce their budgets by the
22 amounts budgeted pursuant to the legislation which did not become effective.

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

29 C. The governing board of each school district shall publish or mail,
30 prior to the hearing and meeting, a copy of the proposed budget or the
31 summary of the proposed budget and, in addition, a notice of the public
32 hearing and board meeting no later than ten days prior to the meeting. The
33 proposed budget and the summary of the proposed budget shall contain the
34 percentage of increase or decrease in each budget category of the proposed
35 budget as compared to each category of the budget for the current year.
36 Notification shall be either by publication in a newspaper of general
37 circulation within the school district in which the size of the newspaper
38 print shall be at least eight-point type, by electronic transmission of the
39 information to the department of education for posting on the department's
40 website or by mailing the information to each household in the school
41 district. The cost of publication, website posting or mailing shall be a
42 charge against the school district. The publisher's affidavit of publication
43 shall be filed by the governing board with the superintendent of public
44 instruction within thirty days after publication. If the budget or proposed
45 budget and notice are posted on a website maintained by the department of

1 education or mailed, the board shall file an affidavit with the
2 superintendent of public instruction within thirty days after the mailing or
3 the date that the information is posted on the website. If a truth in
4 taxation notice and hearing is required under section 15-905.01, the
5 governing board may combine the notice and hearing under this section with
6 the truth in taxation notice and hearing.

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

17 E. Immediately following the public hearing the president shall call
18 to order the governing board meeting for the purpose of adopting the budget.
19 The governing board shall adopt the budget, which shall not exceed the
20 general budget limit, the unrestricted capital budget limit or the soft
21 capital allocation limit, making such deductions as it sees fit but making no
22 additions to the proposed budget total for maintenance and operations or
23 capital outlay, and shall enter the budget as adopted in its minutes. Not
24 later than July 18, the budget as finally adopted shall be filed by the
25 governing board with the county school superintendent who shall immediately
26 transmit a copy to the board of supervisors. Not later than July 18, the
27 budget as finally adopted shall be submitted electronically to the
28 superintendent of public instruction. NOT LATER THAN JULY 18, THE GOVERNING
29 BOARD SHALL SUBMIT THE BUDGET AS FINALLY ADOPTED TO THE DEPARTMENT OF
30 EDUCATION, WHICH SHALL PROMINENTLY DISPLAY THIS INFORMATION ABOUT THAT SCHOOL
31 DISTRICT ON THE WEBSITE MAINTAINED BY THE DEPARTMENT. IF THE SCHOOL DISTRICT
32 MAINTAINS A WEBSITE, THE SCHOOL DISTRICT SHALL POST A LINK TO THE WEBSITE OF
33 THE DEPARTMENT OF EDUCATION WHERE THIS INFORMATION ABOUT THE SCHOOL DISTRICT
34 IS POSTED. On or before October 30, the superintendent of public instruction
35 shall review the budget and notify the governing board if the budget is in
36 excess of the general budget limit, the unrestricted capital budget limit or
37 the soft capital allocation limit. The governing board shall revise the
38 budget as follows:

39 1. If the governing board receives notification that the budget
40 exceeds the general budget limit, the unrestricted capital budget limit or
41 the soft capital allocation limit by one per cent of the general budget limit
42 or one hundred thousand dollars, whichever is less, it shall adopt on or
43 before December 15, after it gives notice and holds a public meeting in a
44 similar manner as provided in subsections C and D of this section, a revised

1 budget for the current year, which shall not exceed the general budget limit,
2 the unrestricted capital budget limit or the soft capital allocation limit.

3 2. If the governing board receives notification that the budget
4 exceeds the general budget limit, the unrestricted capital budget limit or
5 the soft capital allocation limit by less than the amount prescribed in
6 paragraph 1 of this subsection, the governing board shall adjust the budget
7 and expenditures so as not to exceed the general budget limit, the
8 unrestricted capital budget limit or the soft capital allocation limit for
9 the current year.

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

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

21 1. Amounts within the general budget limit, as provided in section
22 15-947, subsection C, may only be budgeted in the following sections of the
23 budget:

24 (a) The maintenance and operation section.

25 (b) The capital outlay section.

26 2. Amounts within the unrestricted capital budget limit, as provided
27 in section 15-947, subsection D, may only be budgeted in the unrestricted
28 capital outlay subsection of the budget. Monies received pursuant to the
29 unrestricted capital budget limit shall be placed in the unrestricted capital
30 outlay fund. The monies in the fund are not subject to reversion.

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

34 G. The governing board may authorize the expenditure of monies
35 budgeted within the maintenance and operation section of the budget for any
36 subsection within the section in excess of amounts specified in the adopted
37 budget only by action taken at a public meeting of the governing board and if
38 the expenditures for all subsections of the section do not exceed the amount
39 budgeted as provided in this section

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

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

43 2. The unrestricted capital budget limit as determined in section
44 15-947 for the budget year.

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

3 4. Federal assistance, excluding title VIII of the elementary and
4 secondary education act of 1965 monies.

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

21 J. A common school district not within a high school district whose
22 estimated tuition charge for high school pupils exceeds the actual tuition
23 charge for high school pupils shall adjust the general budget limit and
24 expenditures based on the actual tuition charge. Not later than May 18, the
25 budget as adjusted shall be submitted electronically to the superintendent of
26 public instruction. A common school district not within a high school
27 district whose estimated tuition charge for high school pupils is less than
28 the actual tuition charge for high school pupils may adjust its budget before
29 May 15 based on the actual tuition charge. Procedures for completing
30 adjustments shall be as prescribed in the uniform system of financial
31 records. If the adjusted general budget limit requires an adjustment of
32 state aid and if the adjustment to state aid is not made in the current year,
33 the superintendent of public instruction shall adjust by August 15 of the
34 succeeding fiscal year the apportionment of state aid to the school district
35 to correct any overpayment or underpayment of state aid received during the
36 current year.

37 K. The governing board may include title VIII of the elementary and
38 secondary education act of 1965 assistance allocated for children with
39 disabilities, children with specific learning disabilities, children residing
40 on Indian lands and children residing within the boundaries of an
41 accommodation school that is located on a military reservation and that is
42 classified as a heavily impacted local educational agency pursuant to 20
43 United States Code section 7703 which is in addition to basic assistance when
44 determining the general budget limit as prescribed in section 15-947,
45 subsection C. The increase in the general budget limit for children residing

1 within the boundaries of an accommodation school that is located on a
2 military reservation and that is classified as a heavily impacted local
3 education agency shall equal the dollar amount calculated pursuant to 20
4 United States Code section 7703(b)(2). The governing board may adjust before
5 May 15 the budget for the current year based on any adjustments which result
6 in increases over the amount estimated by the superintendent of public
7 instruction for title VIII of the elementary and secondary education act of
8 1965 assistance for such pupils for the fiscal year preceding the current
9 year. The governing board shall adjust before May 15 the budget for the
10 current year based on any adjustments which result in decreases in the amount
11 estimated by the superintendent of public instruction for title VIII of the
12 elementary and secondary education act of 1965 assistance for such pupils for
13 the fiscal year preceding the current year. Not later than May 18, the
14 budget as adjusted shall be submitted electronically to the superintendent of
15 public instruction. Procedures for complying with this subsection shall be
16 as prescribed in the uniform system of financial records.

17 L. The department of education shall notify the state board of
18 education if expenditures by any school district exceed the general budget
19 limit prescribed in section 15-947, subsection C, the unrestricted capital
20 budget limit, the soft capital allocation limit prescribed in section 15-947,
21 subsection E, the school plant fund limits prescribed in section 15-1102,
22 subsection B, the maintenance and operation section of the budget or the
23 capital outlay section of the budget. If the expenditures of any school
24 district exceed these limits or sections of the budget without authorization
25 as provided in section 15-907, and if the state board of education determines
26 that the equalization assistance for education received by the school
27 district as provided in section 15-971 does not conform with statutory
28 requirements, the state board of education shall reduce the state aid for
29 equalization assistance for education for the school district computed as
30 provided in section 15-971 during the fiscal year subsequent to the fiscal
31 year in which the excess equalization assistance for education was received
32 by an amount equal to the excess equalization assistance for education,
33 except that in case of hardship to the school district, the superintendent of
34 public instruction may approve reductions partly in the first subsequent year
35 and partly in the second subsequent year. If the state board of education
36 determines that the equalization assistance for education received by the
37 school district conforms with statutory requirements, the state board of
38 education shall not reduce the district's equalization assistance for
39 education pursuant to this subsection but the district shall reduce the
40 budget limits as required in subsection M of this section. A school district
41 that disagrees with the department of education's determination regarding an
42 excess expenditure under this subsection may request a hearing before the
43 state board of education.

1 M. The governing board of a school district shall reduce the general
2 budget limit, the unrestricted capital budget limit or the soft capital
3 allocation limit for the year subsequent to the year in which the
4 expenditures were in excess of the applicable limit or section of the budget
5 by the amount determined in subsection L of this section, except that in case
6 of hardship to the school district, the superintendent of public instruction
7 may approve reductions partly in the first subsequent year and partly in the
8 second subsequent year. The reduction in the limit is applicable to each
9 school district which has exceeded the general budget limit, the unrestricted
10 capital budget limit, the soft capital allocation limit or a section of the
11 budget even if the reduction exceeds the state aid for equalization
12 assistance for education for the school district.

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

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

39 1. For fiscal year 1988-1989:

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

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

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

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

12 (e) If the amount of title VIII of the elementary and secondary
13 education act of 1965 assistance as provided in subsection K of this section
14 is less than the sum determined in subdivision (d) of this paragraph, the
15 district is eligible to use the provisions of this subsection.

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

20 3. If the district is eligible to use the provisions of this
21 subsection, subtract the amount of title VIII of the elementary and secondary
22 education act of 1965 assistance determined in subsection K of this section
23 from the sum determined in paragraph 1, subdivision (d) of this subsection.
24 The difference is the increase in the amount that may be included in
25 determining the general budget limit as provided in subsection K of this
26 section, if including this amount does not increase the district's primary
27 tax rate for the budget year. If the amount of title VIII of the elementary
28 and secondary education act of 1965 assistance determined in subsection K of
29 this section is adjusted for the current year, the increase determined in
30 this paragraph shall be recomputed using the adjusted amount and the
31 recomputed increase shall be reported to the department of education by May
32 15 on a form prescribed by the department of education.

33 4. If a district uses the provisions of this subsection, the district
34 is not required to adjust its budget for the current year based on
35 adjustments in the estimated amount of title VIII of the elementary and
36 secondary education act of 1965 assistance as provided in subsection K of
37 this section.

38 P. A school district, except for an accommodation school, which
39 applies for title VIII of the elementary and secondary education act of 1965
40 assistance during the current year may budget an amount for title VIII of the
41 elementary and secondary education act of 1965 administrative costs for the
42 budget year. The amount budgeted for title VIII of the elementary and
43 secondary education act of 1965 administrative costs is exempt from the
44 revenue control limit and may not exceed an amount determined for the
45 budgeted year as follows:

1 1. Determine the minimum cost. The minimum cost for fiscal year
2 1990-1991 is two thousand three hundred forty-three dollars. For fiscal year
3 1991-1992 and thereafter, the minimum cost is the minimum cost for the prior
4 year increased by the growth rate as prescribed by law, subject to
5 appropriation.

6 2. Determine the hourly rate. The hourly rate for fiscal year
7 1990-1991 is nine dollars thirty-eight cents. For fiscal year 1991-1992 and
8 thereafter, the hourly rate is the hourly rate for the prior year increased
9 by the growth rate as prescribed by law, subject to appropriation.

10 3. Determine the title VIII of the elementary and secondary education
11 act of 1965 revenues available by subtracting the amount of title VIII of the
12 elementary and secondary education act of 1965 assistance used to increase
13 the general budget limit as provided in subsections K and O of this section
14 for the current fiscal year from the total amount of title VIII of the
15 elementary and secondary education act of 1965 revenues received in the
16 current fiscal year.

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

18 (a) Determine the sum of the following:

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

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

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

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

27 (b) For the purposes of this paragraph:

28 (i) "High impact pupil" means a pupil who resides on Indian lands or a
29 pupil who resides on federal property or in low rent housing and whose parent
30 is employed on federal property or low rent housing property or is on active
31 duty in uniformed service, as provided in title VIII of the elementary and
32 secondary education act of 1965, section 8003(a) (20 United States Code
33 section 7703) and as reported in the application for title VIII of the
34 elementary and secondary education act of 1965 assistance in the current
35 year.

36 (ii) "Low impact pupil" means a pupil who resides on nonfederal
37 property and has a parent who is employed on federal property or low rent
38 housing property or is on active duty in a uniformed service or a pupil who
39 resides on federal property or in low rent housing and who does not have a
40 parent who is employed on federal property or low rent housing property or is
41 on active duty in uniformed service, as provided in title VIII of the
42 elementary and secondary education act of 1965, section 8003(a) (20 United
43 States Code section 7703) and as reported in the application for title VIII
44 of the elementary and secondary education act of 1965 assistance in the
45 current year.

1 5. Multiply the total number of administrative hours determined in
2 paragraph 4 of this subsection by the hourly rate determined in paragraph 2
3 of this subsection.

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

7 7. Add to the amount determined in paragraph 6 of this subsection the
8 amount, if any, to be expended by the school district in the budget year
9 through an intergovernmental agreement with other school districts or the
10 department of education to provide title VIII of the elementary and secondary
11 education act of 1965 technical assistance to participating districts.

12 8. Determine the lesser of the amount determined in paragraph 7 of
13 this subsection or the revenues available as determined in paragraph 3 of
14 this subsection.

15 9. The amount determined in paragraph 8 of this subsection is the
16 maximum amount which may be budgeted for title VIII of the elementary and
17 secondary education act of 1965 administrative costs for the budget year as
18 provided in this subsection.

19 10. If the governing board underestimated the amount that may be
20 budgeted for title VIII of the elementary and secondary education act of
21 1965, section 8007 administrative costs for the current year, the board may
22 adjust the general budget limit and the budget before May 15. If the
23 governing board overestimated the amount that may be budgeted for title VIII
24 of the elementary and secondary education act of 1965 administrative costs
25 for the current year, the board shall adjust the general budget limit and the
26 budget before May 15.

27 Q. If a school district governing board has adopted a budget for a
28 fiscal year based on forms and instructions provided by the auditor general
29 and the department of education for that fiscal year and if, as a result of
30 the enactment or nonenactment of proposed legislation after May 1 of the
31 previous fiscal year, the budget is based on incorrect limits, does not
32 include items authorized by law or does not otherwise conform with law, the
33 governing board may revise its budget at a public hearing on or before
34 September 15 to conform with the law. Not later than September 18, the
35 budget as adjusted shall be submitted electronically to the superintendent of
36 public instruction. If the governing board does not revise the budget on or
37 before September 15 and if the budget includes any items not authorized by
38 law or if the budget exceeds any limits, the governing board shall adjust or
39 revise the budget as provided in subsection E of this section.

40 R. Notwithstanding any other law, if a school district receives
41 assistance pursuant to title VIII of the elementary and secondary education
42 act of 1965, the school district shall establish a local level fund
43 designated as the impact aid fund and deposit the impact aid monies received
44 in the fund. The school district shall separately account for monies in the
45 fund and shall not combine monies in the fund with any other source of local,

1 state or federal assistance. Monies in the fund shall be expended pursuant
2 to federal law only for the purposes allowed by this title. The school
3 district shall account for monies in the fund according to the uniform system
4 of financial records as prescribed by the auditor general. The
5 superintendent of public instruction shall separately account for monies in
6 each school district's impact aid fund, if an impact aid fund is established,
7 in the annual report required by section 15-255. Monies in the fund are
8 considered federal monies and are not subject to legislative appropriation.

9 S. For the purposes of this section, "title VIII of the elementary and
10 secondary education act of 1965 assistance" means, for the current year, an
11 amount equal to the final determination of title VIII of the elementary and
12 secondary education act of 1965 assistance for the fiscal year preceding the
13 current year as confirmed by the division of impact aid, United States
14 department of education or, if a final determination has not been made, the
15 amount estimated by the superintendent of public instruction as confirmed by
16 the division of impact aid, United States department of education and, for
17 the budget year, an amount equal to the determination of title VIII of the
18 elementary and secondary education act of 1965 assistance for the fiscal year
19 preceding the budget year as estimated by the superintendent of public
20 instruction.

21 Sec. 4. Department of education; posting

22 The department of education shall comply with the posting requirements
23 prescribed in this act within six months after the effective date of this
24 act.

APPROVED BY THE GOVERNOR APRIL 19, 2011.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 19, 2011.

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

April 13, 2011,
by the following vote: 57 Ayes,

0 Nays, 3 Not Voting

[Signature]
Speaker of the House
Cheryl Laube
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
14 day of April, 2011,
at 8:32 o'clock A. M.

[Signature]
Secretary to the Governor

Approved this 19th day of

April, 2011,

at 3:50 o'clock P. M.

[Signature]
Governor of Arizona

H.B. 2421

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 19th day of April, 2011,

at 5:43 o'clock P. M.

[Signature]
Secretary of State