House Engrossed

FILED
KEN BENNETT
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-first Legislature
First Regular Session
2013

CHAPTER 10

HOUSE BILL 2427

AN ACT

AMENDING SECTIONS 15-448, 15-459 AND 42-17257, ARIZONA REVISED STATUTES; RELATING TO SCHOOL DISTRICT UNIFICATION AND CONSOLIDATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 15-448, Arizona Revised Statutes, is amended to read:

15-448. Formation of unified school district; board membership; budget

A. One or more common school districts and a high school district with coterminous or overlapping boundaries may establish a unified school district pursuant to this section. Unification of a common school district and a high school district is not authorized by this section if any of the high school facilities owned by the new unified school district would not be located within its boundaries.

B. Formation of a unified school district shall be by resolutions approved by the governing boards of the unifying school districts and certification of approval by such governing boards to the county school superintendent of the county or counties in which such individual school districts are located. A common school district and high school district that unify pursuant to this section shall not exclude from the same unification a common school district that has overlapping boundaries with the high school district and that wishes to unify. EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION, the formation of a unified school district shall become effective on July 1 of the next fiscal year following the certification of the county school superintendent. An election shall not be required to form a unified school district pursuant to this section. At least ninety days before the governing boards vote on the resolutions prescribed in this subsection, the governing boards shall mail a pamphlet to each household with one or more qualified electors that shall list the full cash value, the assessed valuation and the estimated amount of the primary property taxes and the estimated amount of the secondary property taxes under the proposed unification for each of the following:

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

2. An owner occupied residence whose assessed valuation is one-half of the assessed valuation of the residence in paragraph 1 of this subsection.

3. An owner occupied residence whose assessed valuation is twice the assessed valuation of the residence in paragraph 1 of this subsection.

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

C. The boundaries of the unified school district shall be the boundaries of the former common school district or districts that unify. The boundaries of the common school district or districts that are not unifying remain unchanged. The county school superintendent, immediately ~~upon~~ ON receipt of the approved resolutions prescribed by subsection B of this section, shall file with the board of supervisors, the county assessor and

the superintendent of public instruction a transcript of the boundaries of the unified school district. The boundaries shown in the transcript shall become the legal boundaries of the school districts on July 1 of the next fiscal year.

D. On formation of the unified school district, the governing board consists of the members of the former school district governing boards and the members shall hold office until January 1 following the first general election after formation of the district. FOR THE PURPOSE OF ALL ACTIONS THAT ARE NECESSARY FOR THE OPERATION OF THE UNIFIED DISTRICT FOR THE NEXT YEAR, THE UNIFIED SCHOOL DISTRICT GOVERNING BOARD IS CONSTITUTED AND MAY CONDUCT MEETINGS AFTER THE ADOPTION OF THE UNIFICATION RESOLUTIONS PRESCRIBED BY SUBSECTION B OF THIS SECTION.

E. Beginning on January 1 following the first general election after formation of the unified school district, the governing board shall have five members. At the first general election after the formation of the district, members shall be elected in the following manner:

1. The three candidates receiving the highest, the second highest and the third highest number of votes shall be elected to four year terms.

2. The two candidates receiving the fourth and fifth highest number of votes shall be elected to two year terms. Thereafter all offices shall have four year terms.

F. The new unified school district may appoint a resident of the remaining common school district to serve as a nonvoting member of the governing board to represent the interests of the high school pupils who reside in the remaining common school district and who attend school in the unified school district.

G. For the first year of operation, the unified school district governing board shall prepare a consolidated budget based on the student counts from the school districts comprising the unified school district, except that for purposes of determining budget amounts and equalization assistance, the student count for the former high school district shall not include the prior year average daily membership attributable to high school pupils from a common school district that was part of the former high school district but is not part of the unified school district. The unified school district shall charge the remaining common school district tuition for these pupils as provided in subsection J of this section. The unified school district may budget for unification assistance pursuant to section 15-912.01.

H. The governing board of the unified school district shall prepare policies, curricula and budgets for the district. These policies shall require that:

1. The base compensation of each certificated teacher for the first year of operation of the new unified school district shall not be lower than the certificated teacher's base compensation for the prior year in the previously existing school districts.

2. The certificated teacher's years of employment in the previously existing school districts shall be included in determining the teacher's certificated years of employment in the new unified school district.

I. ~~Upon~~ ON formation of a unified school district, any existing override authorization of the former high school district and the former common school district or districts shall continue until expiration based on the revenue control limit of the school district or districts that had override authorization prior to unification. The unified school district may request new override authorization for the budget year as provided in section 15-481 based on the combined revenue control limit of the new district after unification. If the unified school district's request for override authorization is approved, it will replace any existing override for the budget year.

J. The unified school district shall admit high school pupils who reside in a common school district that was located within the boundaries of the former high school district. Tuition shall be paid to the unified school district by the common school district in which such pupils reside. Such tuition amount shall be calculated in accordance with section 15-824, subject to the following modifications:

1. If the former high school district had outstanding bonded indebtedness at the time of unification, the combined tuition for the group of high school pupils who reside in each common school district shall include a debt service amount for the former high school district's outstanding bonded indebtedness that is determined as follows:

(a) Divide the total secondary assessed valuation of the common school district in which the group of pupils resides by the total secondary assessed valuation of the former high school district. For the purposes of this subdivision, "secondary assessed valuation" means secondary assessed valuation for the tax year prior to the year when the ~~unification occurs~~ UNIFIED SCHOOL DISTRICT GOVERNING BOARD IS CONSTITUTED PURSUANT TO SUBSECTION D OF THIS SECTION and includes the values used to determine voluntary contributions collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

(b) Multiply the quotient obtained in subdivision (a) OF THIS PARAGRAPH by the unified school district's annual debt service expenditure.

2. The debt service portion of such tuition payments calculated pursuant to paragraph 1 of this subsection shall be used exclusively for debt service of the outstanding bonded indebtedness of the former high school district. When such indebtedness is fully extinguished, the debt service portion of a pupil's tuition shall be determined in accordance with paragraph 3 of this subsection.

3. If the former high school district had no outstanding bonded indebtedness at the time of unification, the tuition calculation shall include the actual school district expenditures for the portion of any debt service of the unified school district that pertains to any construction or

renovation of high school facilities divided by the school district's student count for the high school portion of the school district.

4. The unified school district shall not include in the tuition calculation any debt service that pertains to any construction or renovation of school facilities for preschool through grade eight.

5. Notwithstanding section 15-951, subsection G, the revenue control limit of the common school district shall include the full amount of the debt service portion of the tuition calculated pursuant to this subsection.

K. All assets and liabilities of the unifying school districts shall be transferred and assumed by the new unified school district. Any existing bonded indebtedness of a common school district or a high school district unifying pursuant to this section shall be assumed by the new unified school district and shall be regarded as an indebtedness of the new unified school district for the purpose of determining the debt incurring authority of the district. Taxes for the payment of such bonded indebtedness shall be levied on all taxable property in the new unified school district, but nothing in this subsection shall be construed to relieve from liability to taxation for the payment of all taxable property of the former high school district if necessary to prevent a default in the payment of any bonded indebtedness of the former high school district. The residents of a common school district that does not unify shall not vote in bond or override elections of the unified school district and shall not be assessed taxes as a result of a bond or override election of the unified school district.

L. If the remaining common school district had authorization for an override as provided in section 15-481 or 15-482, the override authorization continues for the remaining common school district or districts in the same manner as before the formation of the unified school district.

M. The bonding authorization and bonding limitations continue for the remaining common school district or districts in the same manner as before the formation of the unified school district.

N. Nothing in this section shall be construed to relieve a school district formed pursuant to section 15-457 or 15-458 of its liability for any outstanding bonded indebtedness.

O. For school districts that become unified after July 1, 2004 and where all of the common schools were eligible for the small school district weight pursuant to section 15-943, paragraph 1, subdivision (a) when computing their base support level and base revenue control limit before unification, the unified school district may continue to use the small school district weight as follows:

1. Annually determine the common school student count and the weighted student count pursuant to section 15-943, paragraph 1, subdivision (a) for each common school district before unification.

2. Calculate the sum of the common school districts' student counts and weighted student counts determined in paragraph 1 of this subsection.

3. Divide the sum of the weighted student counts by the sum of the student counts determined in paragraph 2 of this subsection.

4. The amount determined in paragraph 3 of this subsection shall be the weight for the common schools in the unified school district.

P. A unified school district may calculate its revenue control limit and district support level by using subsection O of this section as follows:

1. Determine the number of individual school districts that existed before unification into a single school district.

2. Multiply the amount determined in paragraph 1 of this subsection by six hundred.

3. Multiply the amount determined in paragraph 2 of this subsection by 0.80.

4. If the amount determined in paragraph 3 of this subsection exceeds the student count of the unified school district, the unified school district is eligible to use subsection O of this section.

Q. Subsections O and P of this section shall remain in effect until the aggregate student count of the common school districts before unification exceeds the aggregate number of students of the common school districts before unification authorized to utilize section 15-943, paragraph 1, subdivision (a).

Sec. 2. Section 15-459, Arizona Revised Statutes, is amended to read:

15-459. Consolidation of districts; petition; election; notice; report; ballots; canvass of votes; governing board

A. On the request of the governing boards of two or more school districts in the same county or in adjacent counties or on receipt of petitions bearing the signatures of ten per cent or more of the number of qualified electors who voted in whichever of the last two general elections resulted in the higher number of ballots cast and who reside in each of two or more school districts in the same county or in adjacent counties to consolidate the school districts or parts of the districts, the county school superintendent of each of the counties affected, within ten days, shall call an election to determine the question on consolidation.

B. Consolidations allowed pursuant to subsection A of this section include:

1. To change the boundaries of a school district to include any part of an adjacent school district.

2. If all the common school districts within the boundaries of an existing union high school district desire to consolidate into one common school district.

3. If two or more adjacent school districts of like character, either common, high or unified school districts, desire to consolidate into one common, high or unified school district.

4. If a common school district that is not a part of a union high school district desires to consolidate with an adjacent unified school district.

5. If two or more common school districts desire to consolidate into one school district and unify the consolidated district with a union high school district to form one unified school district.

C. Notice of the election to determine consolidation of school districts shall be posted in not less than three public places in each of the school districts proposed to be consolidated at least twenty-five days before the election.

D. The county school superintendent shall prepare and the governing board shall distribute a report on the proposed boundary changes in a manner similar to that prescribed in section 15-481, subsection B. The report shall contain the following information:

1. The date of the election.

2. The polling places and times they are open.

3. The full cash value, the assessed valuation and the estimated amount of the primary property taxes and the estimated amount of the secondary property taxes under the proposed boundary changes for each of the following:

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

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

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

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

4. A consolidation plan to include:

(a) The proposed boundary changes.

(b) The impact of the proposed boundary changes, including where pupils will attend school, changes in pupil transportation services, changes in availability of special education services, changes in pupil-teacher ratio and operational costs.

(c) If subsection P of this section applies to one or more of the existing school districts, a detailed description of desegregation funding and expenses for the resulting school district as set forth in subsection P of this section.

(d) Any other information the county school superintendent deems appropriate to include.

E. Ballots shall be prepared by the county school superintendent, shall be delivered to the inspector at least forty-eight hours before the opening of the polls as prescribed in section 16-509 and shall contain the information prescribed in subsection D, paragraph 3 of this section and the following statement: "Consolidation includes the assumption of liability by

the resulting school district for all indebtedness of existing school districts or those parts of school districts proposed for consolidation. Do you support consolidation under the specified provisions of the consolidation plan? Yes ( ) No ( )." If the election is to simultaneously consolidate and unify two or more common school districts, the ballot shall contain: "Do you support the consolidation of the (insert names of common school districts) and the subsequent unification of the consolidated districts with the (insert name of union high school district) to form one unified school district under the consolidation and unification plan? Yes ( ) No ( )."

F. The county school superintendent shall hold the election during the fiscal year preceding the fiscal year consolidation is proposed to be effective on a date prescribed by section 16-204. The election shall be held in the manner and electors shall possess qualifications as prescribed for the election of governing board members. The results of the election shall be reported to the county school superintendent.

G. The county school superintendent and the chairman of the board of supervisors, on the seventh day after the election, shall canvass the vote. If a majority of the votes cast in each district ~~favors~~ APPROVED THE consolidation, the districts are consolidated and become one district from and after June 30 next following the election. If parts of two or more school districts are proposed to be consolidated, a majority of the voters in the part of a school district or districts not affected by the proposed consolidation and a majority of the voters in the part of the school district or districts proposed for consolidation must approve the consolidation.

H. If a school district provides only financing for pupils who are instructed by another school district in the same county or in an adjacent county, the school district or any part of the school district may be consolidated with the school district providing the instructional program as follows:

1. The governing board of the financing school district approves the consolidation or ten per cent of the qualified electors residing in the school district, or that part of the school district proposed for consolidation, petitions the county school superintendent to call an election to approve the proposed consolidation.

2. The governing board of the school district providing instruction approves the consolidation.

3. At an election called by the county school superintendent of each of the counties affected, a majority of the persons voting in the school district, or that part of the school district providing financing, ~~approves~~ APPROVE the proposed consolidation and a majority of the persons voting in the district providing instruction ~~approves~~ APPROVE the proposed consolidation.

I. Elections held as provided in subsection H of this section shall be conducted in the same manner as elections prescribed in subsections C through

G of this section and shall be held concurrently as prescribed in section 15-458.

J. If the consolidated district includes territory located in two or more counties, the county of jurisdiction is the county in which the largest number of qualified electors of the consolidated school district resides, except that if all of the existing school buildings are in one county, that county is the county of jurisdiction. The county school superintendent of the jurisdictional county shall perform all duties for and with respect to the consolidated school district as required to be performed by county school superintendents. The board of supervisors of the jurisdictional county shall perform all duties for and with respect to the consolidated school district as required to be performed by boards of supervisors, except that school district taxes to be levied on property in the portion of the consolidated school district lying in another county shall be levied by the board of supervisors of the other county or counties and on receipt shall be transferred to the county of jurisdiction. All school buildings located within the consolidated school district, together with all equipment and furnishings, become the property of the consolidated school district. Any assumed indebtedness is an indebtedness of the consolidated school district for the purpose of determining the debt incurring authority of the consolidated school district.

K. Sections 15-457, 15-975 and 15-997 apply to school districts ~~which~~ THAT are consolidated as provided in subsection H of this section.

L. Consolidation pursuant to this section is not allowed if the resulting school district would have a student count for the current year of more than ten per cent of the total student count of all school districts in this state.

M. The governing board IS CONSTITUTED, MAY CONDUCT MEETINGS AND shall prepare policies, curricula and budgets for the new school district AFTER THE CANVASS PURSUANT TO SUBSECTION G OF THIS SECTION DEMONSTRATES THAT A MAJORITY OF THE VOTES CAST IN EACH SCHOOL DISTRICT APPROVED THE CONSOLIDATION. These policies shall require that:

1. The base salary and benefits of each employee for the first year of operation of the new school district shall not be lower than the employee's base salary and benefits for the prior year in the previously existing school district.

2. The employee's years of employment in the previously existing school district shall be included in determining the employee's years of employment in the new school district. An employee who was entitled to continuing employment contract status in the previously existing school district is entitled to continuing employment contract status in the new school district.

3. Notwithstanding paragraphs 1 and 2 of this subsection and pursuant to section 15-544, nothing in this section shall be construed to restrict the ability of the governing board to implement a reduction in force or to scale

back salaries of certified teachers, administrators or noncertificated employees for reasons of economy or to improve the efficient conduct of schools within the district following a school district consolidation.

N. If all of the districts to be consolidated have authorization for an override as provided in section 15-481 that would have continued after the consolidation, the override authorization continues for the new district and expires at the time that the earliest override would have expired.

O. If one or more, but not all, of the districts to be consolidated have authorization for an override as provided in section 15-481 that would have continued after the consolidation, the override authorization shall only apply to the schools included under the terms of the prior override authorization. Consolidation of school districts does not consolidate or pool the liability to be taxed for the override, and only property that was located within the boundaries of the district that approved the override prior to consolidation is to pay taxes to support the override. This subsection also applies if all of the districts to be consolidated have authorization for overrides, but the authorizations are pursuant to different subsections of section 15-481 or the override amounts are not the same percentage of the revenue control limit.

P. Notwithstanding section 15-457, consolidation of school districts does not consolidate or pool the liability of the former school districts into the resulting school district. Outstanding indebtedness incurred by a school district before consolidation shall be repaid without interruption according to existing debt schedules as determined by the county board of supervisors. If a school district consolidates after July 1, 2004, the new school district may pay tuition to the district of attendance when a pupil is precluded by distance or lack of transportation from attending school in the district of a pupil's residence.

Q. If one or more of the previously existing school districts ~~was~~ WERE authorized to budget for expenses of complying with or continuing to implement activities that were required or permitted by court order of desegregation or administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination pursuant to section 15-910, this authorization does not expire on the effective date of consolidation but only applies to schools included in the court order or administrative agreement.

R. If one or more of the previously existing school districts ~~was~~ WERE participating in a career ladder program pursuant to chapter 9, article 1.1 of this title before consolidation, notwithstanding any other law the state board shall expedite the processing of and may approve an updated application for program reapproval that incorporates the geographic boundaries of the resulting school district and the inclusion of the additional staff in the career ladder program.

S. If the formation of a new consolidated and unified school district is authorized, the terms of the governing board members of the common and

union high school districts do not expire on the effective date of the unification. The governing board members of the previously existing school districts shall serve as provided in section 15-430, except that the power of the governing board members of the previously existing school districts acting as the governing board of the unified school district is limited to the maintenance and operation of the previously existing school districts and compliance with the consolidation and unification plan.

Sec. 3. Section 42-17257, Arizona Revised Statutes, is amended to read:

42-17257. Notice of establishment or change in city, town or taxing district boundaries

A. On or before November 1 of the year preceding the year in which assessments or taxes are to be levied, the governing body of each city, town, school district, AND community college district and other special taxing districts and assessment districts that are organized by law OR IN THE PROCESS OF ORGANIZING BY LAW shall file with the department and the county assessor information prescribed by the director of the department relating to changes in boundaries and the boundaries of newly created taxing jurisdictions.

B. At the request of the governing body of any taxing jurisdiction on or before December 31 of the year preceding the year in which assessments or taxes are to be levied, the director may extend the deadline prescribed by subsection A OF THIS SECTION to allow the taxing jurisdiction to file the required information. The director may not extend this deadline beyond February 15 of the year in which assessments or taxes are to be levied.

C. A change in boundaries of an existing taxing jurisdiction or the establishment of a new taxing jurisdiction is not effective for assessment and tax levying purposes for the tax year unless notice has been given as prescribed by this section. IF THE CHANGE IN BOUNDARIES OF AN EXISTING TAXING DISTRICT OR IF THE ESTABLISHMENT OF A NEW TAXING JURISDICTION FOR THE FOLLOWING FISCAL YEAR IS NOT COMPLETE BY FEBRUARY 15, A PRELIMINARY FILING, WHICH SHALL INCLUDE ALL INFORMATION PRESCRIBED BY LAW, MAY BE SUBMITTED PURSUANT TO THIS SECTION. AFTER THE GOVERNING BOARD OF THE NEW TAXING JURISDICTION IS AUTHORIZED TO ACT, BUT NOT LATER THAN MAY 15, THE APPROPRIATE GOVERNING BODY OR BODIES SHALL NOTIFY THE DEPARTMENT AND THE COUNTY ASSESSOR OF THE FORMATION EFFECTIVE FOR THE FOLLOWING FISCAL YEAR.

Sec. 4. Retroactivity

This act applies retroactively to from and after June 30, 2012.

APPROVED BY THE GOVERNOR MARCH 21, 2013.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 21, 2013.

Passed the House February 11, 2013

by the following vote: 59 Ayes,

0 Nays, 1 Not Voting

Speaker of the House

Chief Clerk of the House

Passed the Senate March 11, 2013

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

18 day of March, 2013

at 3:00 o'clock P M.

Secretary to the Governor

Approved this 21st day of

March

at 3:35 o'clock P. M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 21 day of March, 2013

at 4:53 o'clock P M.

Secretary of State

H.B. 2427