House Engrossed

FILED
KEN BENNETT
SECRETARY OF STATE

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

CHAPTER 91

HOUSE BILL 2202

AN ACT

AMENDING SECTIONS 15-342, 15-491 AND 15-1102, ARIZONA REVISED STATUTES; RELATING TO SCHOOL DISTRICT GOVERNING BOARDS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 15-342, Arizona Revised Statutes, is amended to read:

15-342. Discretionary powers

The governing board may:

1. Expel pupils for misconduct.

2. Exclude from grades one through eight children under six years of age.

3. Make such separation of groups of pupils as it deems advisable.

4. Maintain such special schools during vacation as deemed necessary for the benefit of the pupils of the school district.

5. Permit a superintendent or principal or representatives of the superintendent or principal to travel for a school purpose, as determined by a majority vote of the board. The board may permit members and members-elect of the board to travel within or without the school district for a school purpose and receive reimbursement. Any expenditure for travel and subsistence pursuant to this paragraph shall be as provided in title 38, chapter 4, article 2. The designated post of duty referred to in section 38-621 shall be construed, for school district governing board members, to be the member's actual place of residence, as opposed to the school district office or the school district boundaries. Such expenditures shall be a charge against the budgeted school district funds. The governing board of a school district shall prescribe procedures and amounts for reimbursement of lodging and subsistence expenses. Reimbursement amounts shall not exceed the maximum amounts established pursuant to section 38-624, subsection C.

6. Construct or provide in rural districts housing facilities for teachers and other school employees that the board determines are necessary for the operation of the school.

7. Sell or lease to the state, a county, a city, another school district or a tribal government agency any school property required for a public purpose, provided the sale or lease of the property will not affect the normal operations of a school within the school district.

8. Annually budget and expend funds for membership in an association of school districts within this state.

9. Enter into leases or lease-purchase agreements for school buildings or grounds, or both, as lessor or as lessee, for periods of less than ~~five~~ TEN years subject to voter approval for construction of school buildings as prescribed in section 15-341, subsection A, paragraph 7.

10. Subject to chapter 16 of this title, sell school sites or enter into leases or lease-purchase agreements for school buildings and grounds, as lessor or as lessee, for a period of ~~five~~ TEN years or more, but not to exceed ninety-nine years, if authorized by a vote of the school district electors in an election called by the governing board as provided in section 15-491, except that authorization by the school district electors in an election is not required if one of the following requirements is met:

(a) The market value of the school property is less than fifty thousand dollars or the property is procured through a renewable energy development agreement, an energy performance contract, which among other items includes a renewable energy power service agreement, or a simplified energy performance contract pursuant to section 15-213.01.

(b) The buildings and sites are completely funded with monies distributed by the school facilities board.

(c) The transaction involves the sale of improved or unimproved property pursuant to an agreement with the school facilities board in which the school district agrees to sell the improved or unimproved property and transfer the proceeds of the sale to the school facilities board in exchange for monies from the school facilities board for the acquisition of a more suitable school site. For a sale of property acquired by a school district prior to July 9, 1998, a school district shall transfer to the school facilities board that portion of the proceeds that equals the cost of the acquisition of a more suitable school site. If there are any remaining proceeds after the transfer of monies to the school facilities board, a school district shall only use those remaining proceeds for future land purchases approved by the school facilities board, or for capital improvements not funded by the school facilities board for any existing or future facility.

(d) The transaction involves the sale of improved or unimproved property pursuant to a formally adopted plan and the school district uses the proceeds of this sale to purchase other property that will be used for similar purposes as the property that was originally sold, provided that the sale proceeds of the improved or unimproved property are used within two years after the date of the original sale to purchase the replacement property. If the sale proceeds of the improved or unimproved property are not used within two years after the date of the original sale to purchase replacement property, the sale proceeds shall be used towards payment of any outstanding bonded indebtedness. If any sale proceeds remain after paying for outstanding bonded indebtedness, or if the district has no outstanding bonded indebtedness, sale proceeds shall be used to reduce the district's primary tax levy. A school district shall not use this subdivision unless all of the following conditions exist:

(i) The school district is the sole owner of the improved or unimproved property that the school district intends to sell.

(ii) The school district did not purchase the improved or unimproved property that the school district intends to sell with monies that were distributed pursuant to chapter 16 of this title.

(iii) The transaction does not violate section 15-341, subsection G.

11. Review the decision of a teacher to promote a pupil to a grade or retain a pupil in a grade in a common school or to pass or fail a pupil in a course in high school. The pupil has the burden of proof to overturn the decision of a teacher to promote, retain, pass or fail the pupil. In order

to sustain the burden of proof, the pupil shall demonstrate to the governing board that the pupil has mastered the academic standards adopted by the state board of education pursuant to sections 15-701 and 15-701.01. If the governing board overturns the decision of a teacher pursuant to this paragraph, the governing board shall adopt a written finding that the pupil has mastered the academic standards. Notwithstanding title 38, chapter 3, article 3.1, the governing board shall review the decision of a teacher to promote a pupil to a grade or retain a pupil in a grade in a common school or to pass or fail a pupil in a course in high school in executive session unless a parent or legal guardian of the pupil or the pupil, if emancipated, disagrees that the review should be conducted in executive session and then the review shall be conducted in an open meeting. If the review is conducted in executive session, the board shall notify the teacher of the date, time and place of the review and shall allow the teacher to be present at the review. If the teacher is not present at the review, the board shall consult with the teacher before making its decision. Any request, including the written request as provided in section 15-341, the written evidence presented at the review and the written record of the review, including the decision of the governing board to accept or reject the teacher's decision, shall be retained by the governing board as part of its permanent records.

12. Provide transportation or site transportation loading and unloading areas for any child or children if deemed for the best interest of the district, whether within or without the district, county or state.

13. Enter into intergovernmental agreements and contracts with school districts or other governing bodies as provided in section 11-952. Intergovernmental agreements and contracts between school districts or between a school district and other governing bodies as provided in section 11-952 are exempt from competitive bidding under the procurement rules adopted by the state board of education pursuant to section 15-213.

14. Include in the curricula it prescribes for high schools in the school district career and technical education, vocational education and technology education programs and career and technical, vocational and technology program improvement services for the high schools, subject to approval by the state board of education. The governing board may contract for the provision of career and technical, vocational and technology education as provided in section 15-789.

15. Suspend a teacher or administrator from the teacher's or administrator's duties without pay for a period of time of not to exceed ten school days, if the board determines that suspension is warranted pursuant to section 15-341, subsection A, paragraphs 21 and 22.

16. Dedicate school property within an incorporated city or town to such city or town or within a county to that county for use as a public right-of-way if both of the following apply:

(a) Pursuant to an ordinance adopted by such city, town or county, there will be conferred upon the school district privileges and benefits that may include benefits related to zoning.

(b) The dedication will not affect the normal operation of any school within the district.

17. Enter into option agreements for the purchase of school sites.

18. Donate surplus or outdated learning materials, educational equipment and furnishings to nonprofit community organizations where the governing board determines that the anticipated cost of selling the learning materials, educational equipment or furnishings equals or exceeds the estimated market value of the materials.

19. Prescribe policies for the assessment of reasonable fees for students to use district-provided parking facilities. The fees are to be applied by the district solely against costs incurred in operating or securing the parking facilities. Any policy adopted by the governing board pursuant to this paragraph shall include a fee waiver provision in appropriate cases of need or economic hardship.

20. Establish alternative educational programs that are consistent with the laws of this state to educate pupils, including pupils who have been reassigned pursuant to section 15-841, subsection E or F.

21. Require a period of silence to be observed at the commencement of the first class of the day in the schools. If a governing board chooses to require a period of silence to be observed, the teacher in charge of the room in which the first class is held shall announce that a period of silence not to exceed one minute in duration will be observed for meditation, and during that time no activities shall take place and silence shall be maintained.

22. Require students to wear uniforms.

23. Exchange unimproved property or improved property, including school sites, where the governing board determines that the improved property is unnecessary for the continued operation of the school district without requesting authorization by a vote of the school district electors if the governing board determines that the exchange is necessary to protect the health, safety or welfare of pupils or when the governing board determines that the exchange is based on sound business principles for either:

(a) Unimproved or improved property of equal or greater value.

(b) Unimproved property that the owner contracts to improve if the value of the property ultimately received by the school district is of equal or greater value.

24. For common and high school pupils, assess reasonable fees for optional extracurricular activities and programs conducted when the common or high school is not in session, except that no fees shall be charged for pupils' access to or use of computers or related materials. For high school pupils, the governing board may assess reasonable fees for fine arts and vocational education courses and for optional services, equipment and materials offered to the pupils beyond those required to successfully

complete the basic requirements of any other course, except that no fees shall be charged for pupils' access to or use of computers or related materials. Fees assessed pursuant to this paragraph shall be adopted at a public meeting after notice has been given to all parents of pupils enrolled at schools in the district and shall not exceed the actual costs of the activities, programs, services, equipment or materials. The governing board shall authorize principals to waive the assessment of all or part of a fee assessed pursuant to this paragraph if it creates an economic hardship for a pupil. For the purposes of this paragraph, "extracurricular activity" means any optional, noncredit, educational or recreational activity that supplements the education program of the school, whether offered before, during or after regular school hours.

25. Notwithstanding section 15-341, subsection A, paragraphs 7 and 9, construct school buildings and purchase or lease school sites, without a vote of the school district electors, if the buildings and sites are totally funded from one or more of the following:

(a) Monies in the unrestricted capital outlay fund, except that the estimated cost shall not exceed two hundred fifty thousand dollars for a district that utilizes section 15-949.

(b) Monies distributed from the school facilities board established by section 15-2001.

(c) Monies specifically donated for the purpose of constructing school buildings.

This paragraph shall not be construed to eliminate the requirement for an election to raise revenues for a capital outlay override pursuant to section 15-481 or a bond election pursuant to section 15-491.

26. Conduct a background investigation that includes a fingerprint check conducted pursuant to section 41-1750, subsection G for certificated personnel and personnel who are not paid employees of the school district, as a condition of employment. A school district may release the results of a background check to another school district for employment purposes. The school district may charge the costs of fingerprint checks to its fingerprinted employee, except that the school district may not charge the costs of fingerprint checks for personnel who are not paid employees of the school district.

27. Unless otherwise prohibited by law, sell advertising as follows:

(a) Advertisements shall be age appropriate and not contain promotion of any substance that is illegal for minors such as alcohol, tobacco and drugs or gambling. Advertisements shall comply with the state sex education policy of abstinence.

(b) Advertising approved by the governing board for the exterior of school buses may appear only on the sides of the bus in the following areas:

(i) The signs shall be below the seat level rub rail and not extend above the bottom of the side windows.

(ii) The signs shall be at least three inches from any required lettering, lamp, wheel well or reflector behind the service door or stop signal arm.

(iii) The signs shall not extend from the body of the bus so as to allow a handhold or present a danger to pedestrians.

(iv) The signs shall not interfere with the operation of any door or window.

(v) The signs shall not be placed on any emergency doors.

(c) The school district shall establish an advertisement fund that is composed of revenues from the sale of advertising. The monies in an advertisement fund are not subject to reversion.

28. Assess reasonable damage deposits to pupils in grades seven through twelve for the use of textbooks, musical instruments, band uniforms or other equipment required for academic courses. The governing board shall adopt policies on any damage deposits assessed pursuant to this paragraph at a public meeting called for this purpose after providing notice to all parents of pupils in grades seven through twelve in the school district. Principals of individual schools within the district may waive the damage deposit requirement for any textbook or other item if the payment of the damage deposit would create an economic hardship for the pupil. The school district shall return the full amount of the damage deposit for any textbook or other item if the pupil returns the textbook or other item in reasonably good condition within the time period prescribed by the governing board. For the purposes of this paragraph, "in reasonably good condition" means the textbook or other item is in the same or a similar condition as it was when the pupil received it, plus ordinary wear and tear.

29. Notwithstanding section 15-1105, expend surplus monies in the civic center school fund for maintenance and operations or unrestricted capital outlay, if sufficient monies are available in the fund after meeting the needs of programs established pursuant to section 15-1105.

30. Notwithstanding section 15-1143, expend surplus monies in the community school program fund for maintenance and operations or unrestricted capital outlay, if sufficient monies are available in the fund after meeting the needs of programs established pursuant to section 15-1142.

31. Adopt guidelines for standardization of the format of the school report cards required by section 15-746 for schools within the district.

32. Adopt policies that require parental notification when a law enforcement officer interviews a pupil on school grounds. Policies adopted pursuant to this paragraph shall not impede a peace officer from the performance of the peace officer's duties. If the school district governing board adopts a policy that requires parental notification:

(a) The policy may provide reasonable exceptions to the parental notification requirement.

(b) The policy shall set forth whether and under what circumstances a parent may be present when a law enforcement officer interviews the pupil,

including reasonable exceptions to the circumstances under which a parent may be present when a law enforcement officer interviews the pupil, and shall specify a reasonable maximum time after a parent is notified that an interview of a pupil by a law enforcement officer may be delayed to allow the parent to be present.

33. Enter into voluntary partnerships with any party to finance with funds other than school district funds and cooperatively design school facilities that comply with the adequacy standards prescribed in section 15-2011 and the square footage per pupil requirements pursuant to section 15-2041, subsection D, paragraph 3, subdivision (b). The design plans and location of any such school facility shall be submitted to the school facilities board for approval pursuant to section 15-2041, subsection O. If the school facilities board approves the design plans and location of any such school facility, the party in partnership with the school district may cause to be constructed and the district may begin operating the school facility before monies are distributed from the school facilities board pursuant to section 15-2041. Monies distributed from the new school facilities fund to a school district in a partnership with another party to finance and design the school facility shall be paid to the school district pursuant to section 15-2041. The school district shall reimburse the party in partnership with the school district from the monies paid to the school district pursuant to section 15-2041, in accordance with the voluntary partnership agreement. Before the school facilities board distributes any monies pursuant to this subsection, the school district shall demonstrate to the school facilities board that the facilities to be funded pursuant to section 15-2041, subsection O meet the minimum adequacy standards prescribed in section 15-2011. If the cost to construct the school facility exceeds the amount that the school district receives from the new school facilities fund, the partnership agreement between the school district and the other party shall specify that, except as otherwise provided by the other party, any such excess costs shall be the responsibility of the school district. The school district governing board shall adopt a resolution in a public meeting that an analysis has been conducted on the prospective effects of the decision to operate a new school with existing monies from the school district's maintenance and operations budget and how this decision may affect other schools in the school district. If a school district acquires land by donation at an appropriate school site approved by the school facilities board and a school facility is financed and built on the land pursuant to this paragraph, the school facilities board shall distribute an amount equal to twenty per cent of the fair market value of the land that can be used for academic purposes. The school district shall place the monies in the unrestricted capital outlay fund and increase the unrestricted capital budget limit by the amount of the monies placed in the fund. Monies distributed under this paragraph shall be distributed from the new school facilities fund pursuant to section 15-2041. If a school district acquires land by donation

at an appropriate school site approved by the school facilities board and a school facility is financed and built on the land pursuant to this paragraph, the school district shall not receive monies from the school facilities board for the donation of real property pursuant to section 15-2041, subsection F. It is unlawful for:

(a) A county, city or town to require as a condition of any land use approval that a landowner or landowners that entered into a partnership pursuant to this paragraph provide any contribution, donation or gift, other than a site donation, to a school district. This subdivision only applies to the property in the voluntary partnership agreement pursuant to this paragraph.

(b) A county, city or town to require as a condition of any land use approval that the landowner or landowners located within the geographic boundaries of the school subject to the voluntary partnership pursuant to this paragraph provide any donation or gift to the school district except as provided in the voluntary partnership agreement pursuant to this paragraph.

(c) A community facilities district established pursuant to title 48, chapter 4, article 6 to be used for reimbursement of financing the construction of a school pursuant to this paragraph.

(d) A school district to enter into an agreement pursuant to this paragraph with any party other than a master planned community party. Any land area consisting of at least three hundred twenty acres that is the subject of a development agreement with a county, city or town entered into pursuant to section 9-500.05 or 11-1101 shall be deemed to be a master planned community. For the purposes of this subdivision, "master planned community" means a land area consisting of at least three hundred twenty acres, which may be noncontiguous, that is the subject of a zoning ordinance approved by the governing body of the county, city or town in which the land is located that establishes the use of the land area as a planned area development or district, planned community development or district, planned unit development or district or other land use category or district that is recognized in the local ordinance of such county, city or town and that specifies the use of such land is for a master planned development.

34. Enter into an intergovernmental agreement with a presiding judge of the juvenile court to implement a law related education program as defined in section 15-154. The presiding judge of the juvenile court may assign juvenile probation officers to participate in a law related education program in any school district in the county. The cost of juvenile probation officers who participate in the program implemented pursuant to this paragraph shall be funded by the school district.

35. Offer to sell outdated learning materials, educational equipment or furnishings at a posted price commensurate with the value of the items to pupils who are currently enrolled in that school district before those materials are offered for public sale.

36. If the school district is a small school district as defined in section 15-901, and if permitted by federal law, opt out of federal grant opportunities if the governing board determines that the federal requirements impose unduly burdensome reporting requirements.

Sec. 2. Section 15-491, Arizona Revised Statutes, is amended to read:

15-491. Elections on school property; exceptions

A. The governing board of a school district may, and on petition of fifteen per cent of the school electors as shown by the poll list at the last preceding annual school election shall, call an election for the following purposes:

1. To locate or change the location of school buildings.

2. To purchase or sell school sites or buildings or sell school sites pursuant to section 15-342 or to build school buildings, but the authorization by vote of the school district shall not necessarily specify the site to be purchased.

3. To decide whether the bonds of the school district shall be issued and sold for the purpose of raising money for purchasing or leasing school lots, for building or renovating school buildings, for supplying school buildings with furniture, equipment and technology, for improving school grounds, for purchasing pupil transportation vehicles or for liquidating any indebtedness already incurred for such purposes. Bonds issued for furniture, equipment and technology, other than fixtures, shall mature no later than the July 1 that follows the fifth year after the bonds were issued. A school district shall not issue class B bonds until the school district has obligated in contract the entire proceeds of any class A bonds issued by the school district. The total amount of class A and class B bonds issued by a school district shall not exceed the debt limitations prescribed in article IX, sections 8 and 8.1, Constitution of Arizona.

4. To lease for ~~five~~ TEN or more years, as lessor or as lessee, school buildings or grounds. Approval by a majority of the school district electors voting authorizes the governing board to negotiate for and enter into a lease. The ballot shall list the school buildings or grounds for which a lease is sought. If the governing board does not enter into a lease of ~~five~~ TEN or more years of the school buildings or grounds listed on the ballot within ~~five~~ TEN years of the date of the election and the board continues to seek such a lease, the governing board shall call a special election to reauthorize the board to negotiate for and to enter into a lease of ~~five~~ TEN or more years.

5. To change the list of capital projects or the purposes authorized by prior voter approval to issue bonds.

6. To extend from six to ten years the time period to issue class B bonds authorized in 2009 or earlier. Elections pursuant to this paragraph may not be held later than the sixth November after the election approving the issuance of the bonds.

B. No petition shall be required for the holding of the first election to be held in a joint common school district for any of the purposes specified in subsection A of this section. The notice of election required by section 15-492 shall be published in each of the counties that comprise the joint common school district. The certification of election results required by section 15-493 shall be made to the board of supervisors of the jurisdictional county.

C. When the election is called to determine whether or not bonds of the school district shall be issued and sold for the purposes enumerated in the call for the election, the question shall be submitted to the vote of the qualified electors of the school district as defined in section 15-401 and subject to section 15-402.

D. The governing board shall order the election to be held in the manner prescribed in title 35, chapter 3, article 3. If a petition for an election has been filed with the governing board as provided in subsection A of this section, the board shall act on the petition within sixty days by ordering the election to be held as provided in this subsection. If a school district bond election is scheduled for the same date a school district will hold an override election, the governing body shall deliver a copy of the notice of election and ballot to the county school superintendent who shall include the notice of election and ballot with the information report and ballot prepared for the override election. Mailing of the information required for both the override and bond elections shall constitute compliance with the notice provisions of this section.

E. The elections to be held pursuant to this section shall only be held on dates prescribed by section 16-204, except that elections held pursuant to this section to decide whether class B bonds shall be issued, or any other obligation incurred that will require the assessment of secondary property taxes, shall only be held on the first Tuesday after the first Monday of November.

F. Subsection A, paragraph 2 of this section does not apply to the sale of school property if the market value of the school property is less than fifty thousand dollars.

G. Bond counsel fees, financial advisory fees, printing costs and paying agent and registrar fees for bonds issued pursuant to an election under this section shall be paid from either the amount authorized by the qualified electors of the school district or current operating funds. Bond election expenses shall be paid from current operating funds only.

H. For any election conducted to decide whether class B bonds will be issued pursuant to this section:

1. Except as provided in paragraph 2 of this subsection, the ballot shall include the following statement:

> The capital improvements that are proposed to be funded through this bond issuance are to exceed the state standards and are in addition to monies provided by the state.

_____ school district is proposing to issue class B general obligation bonds totaling $_____ to fund capital improvements over and above those funded by the state. Under the students first capital funding system, _____ school district is entitled to state monies for building renewal, new construction and renovation of school buildings in accordance with state law.

2. For a school district that is a joint technical education district, the ballot shall include the following statement:

_____, a joint technical education district, is proposing to issue class B general obligation bonds totaling $_____ to fund capital improvements at a campus owned or operated and maintained by the joint technical education district.

3. The ballot shall contain the words "bond approval, yes" and "bond approval, no", and the voter shall signify the voter's desired choice.

4. The ballot shall also contain the phrase "the issuance of these bonds will result in an annual levy of property taxes sufficient to pay the debt on the bonds".

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

6. No later than thirty-five days before a class B bond election conducted pursuant to this section, the school district shall mail a publicity pamphlet to each household that contains a qualified elector in the school district. The publicity pamphlet shall contain, at a minimum, the following information:

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

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

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

I. For any election conducted to decide whether impact aid revenue bonds shall be issued pursuant to this section:

1. The ballot shall include the following statement:

The capital improvements that are proposed to be funded through this bond issuance are to exceed the state standards and are in addition to monies provided by the state.

_____ school district is proposing to issue impact aid revenue bonds totaling $_____ to fund capital improvements over and above those funded by the state. Under the students first capital funding system, _____ school district is entitled to state monies for building renewal, new construction and renovation of school buildings in accordance with state law.

2. The ballot shall contain the words "bond approval, yes" and "bond approval, no", and the voter shall signify the voter's desired choice.

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

4. No later than thirty-five days before an impact aid revenue bond election conducted pursuant to this section, the school district shall mail a publicity pamphlet to each household that contains a qualified elector in the school district. The publicity pamphlet shall contain, at a minimum, the following information:

(a) The date of the election.

(b) The voter's polling place and the times it is open.

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

(d) A complete list of each proposed capital improvement that will be funded with the proceeds of the bonds and a description of the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities board.

(e) A statement that impact aid revenue bonds will be fully funded by aid that the school district receives from the federal government and do not require a levy of taxes in the district.

(f) A statement that if the bonds are approved, the first priority for the impact aid will be to pay the debt service for the bonds and that other uses of the monies are prohibited until the debt service obligation is met.

(g) A statement that if the impact aid revenue bonds are approved, the school district shall not issue or sell class B bonds while the district has

existing indebtedness from impact aid revenue bonds, except for bonds issued to refund any bonds issued by the board.

J. If the voters approve the issuance of school district class B bonds or impact aid revenue bonds, the school district shall not use the bond proceeds for any purposes other than the proposed capital improvements listed in the publicity pamphlet, except that up to ten per cent of the bond proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements. The proposed capital improvements may be changed by a subsequent election as provided by this section.

K. Each school district that issues bonds under this section is required to hold a public meeting each year between September 1 and October 31, until the bond proceeds are spent, at which an update of the progress of capital improvements financed through bonding is discussed and at which the public is permitted an opportunity to comment. At a minimum, the update shall include a comparison of the current status and the original projections on the construction of capital improvements, the costs of capital improvements and the costs of capital improvements in progress or completed since the prior meeting and the future capital bonding plans of the school district. The school district shall include in the public meeting a discussion of the school district's use of state capital aid and voter-approved capital overrides in funding capital improvements, if any.

L. If an election is held to change the purpose or list of capital projects authorized by prior voter approval to issue bonds pursuant to subsection A, paragraph 5 of this section, the following requirements apply:

1. The election may be held only on the first Tuesday after the first Monday in November.

2. No later than thirty-five days before the election, the school district shall mail a publicity pamphlet to each household in the school district that contains a qualified elector. The publicity pamphlet shall contain, at a minimum, the following information:

(a) The date of the election.

(b) The voter's polling place and the times it is open.

(c) A statement as to why the election was called.

(d) A complete list of each proposed capital improvement that is in addition to the initial capital improvements presented in the publicity pamphlet when the bonds were approved and the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities board.

(e) A complete list of each capital improvement that was presented in the publicity pamphlet when the bonds were initially approved and that is proposed to be eliminated or to have its cost reduced, and the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities board.

(f) Arguments for and against the proposed change, if submitted, as provided by section 15-481, subsection B, paragraph 9.

3. The ballot shall contain the words "change capital improvements, yes" and "change capital improvements, no", and the voter shall signify the voter's desired choice.

4. If the election is to add a purpose that was not on the initial ballot, the ballot shall list the purpose that is proposed to be added.

M. If an election is held to extend the time to issue bonds pursuant to subsection A, paragraph 6 of this section, the following requirements apply:

1. The election may be held only on the first Tuesday after the first Monday in November.

2. No later than thirty-five days before the election, the school district shall mail a publicity pamphlet to each household in the school district that contains a qualified elector. The publicity pamphlet shall contain, at a minimum, the following information:

(a) The date of the election.

(b) The voter's polling place and the times it is open.

(c) A statement as to why the election was called.

(d) Arguments for and against the proposed change, if submitted, as provided in section 15-481, subsection B, paragraph 9.

3. The ballot shall contain the words "extend time to issue bonds, yes" and "extend time to issue bonds, no", and the voter shall signify the voter's desired choice.

Sec. 3. Section 15-1102, Arizona Revised Statutes, is amended to read:

15-1102. Disposition of proceeds from sale or lease of school property; school plant monies; payment of bonded indebtedness; definition

A. The governing board, or the superintendent or chief administrative officer with the approval of the governing board, may expend the proceeds from the sale or lease of school property for the payment of any outstanding bonded indebtedness of the school district or for the reduction of school district taxes.

B. A common school district or high school district which has an outstanding bonded indebtedness of seven per cent of the current year's assessed valuation or less or a unified school district which has an outstanding bonded indebtedness of fourteen per cent of the current year's assessed valuation or less may expend the proceeds from the sale or lease of school property for maintenance and operation or capital outlay, subject to the following limitations:

~~1. During the period that proceeds from the sale or lease of school property are used for capital outlay, the school district shall not call an override election to exceed the capital outlay revenue limit, except that during the last year of that period the school district may authorize an override election to exceed the capital outlay revenue limit beginning with the following year.~~

~~2.~~ 1. The total sum of the proceeds from the sale of school property before July 1, 1998 or the lease of school property for more than one year expended for maintenance and operation shall not exceed fifteen per cent of the revenue control limit as provided in section 15-947, subsection A in any year of which ten per cent may be used without voter approval and an additional five per cent may be used if the additional amount is approved by a majority of the qualified electors voting in an election called for such purposes. The election shall be conducted and notice and ballots shall be prepared as provided in section 15-481. Proceeds from the sale of school property from and after June 30, 1998 shall not be expended for maintenance and operation.

~~3.~~ 2. In any fiscal year in which a district utilizes budget increases as authorized in section 15-481, subsection E or F or section 15-482 or utilizes the proceeds from the sale of school property before July 1, 1998 or the lease of school property for more than one year for maintenance and operation or any combination of these provisions, the total amount of these increases which may be expended is equal to fifteen per cent of the revenue control limit for that year as provided in section 15-947, subsection A, provided that the following maximum amount is attributable to the use of any one provision:

(a) Fifteen per cent of the revenue control limit when using the proceeds from the sale before July 1, 1998 or lease of school property for maintenance and operation as provided in this section.

(b) Fifteen per cent of the revenue control limit when using a budget increase as provided in section 15-481, subsection E or F, or both.

(c) Five per cent of the revenue control limit when using a budget increase as provided in section 15-482.

C. A common school district or high school district which has an outstanding bonded indebtedness of greater than seven per cent of the current year's assessed valuation or a unified school district which has an outstanding bonded indebtedness of greater than fourteen per cent of the current year's assessed valuation may expend the proceeds from the lease or sale of school property as follows:

1. For maintenance and operation, the expenditure may not exceed the lesser of the limit in subsection B, paragraph 1 OR 2 ~~or 3~~ of this section or the amount of the proceeds from the lease of school property multiplied by .25.

2. For capital outlay, the expenditure of the proceeds:

(a) From the sale of school property may not exceed the amount of the proceeds multiplied by .62.

(b) From the lease of school property is not limited.

D. The governing board, or the superintendent or chief administrative officer with the approval of the governing board, shall promptly deposit monies received for and derived from the sale or lease of school property with the county treasurer who shall establish three school plant funds, one

fund for monies received from the sale before July 1, 1998 or lease of school property for more than one year, one fund for monies received from the sale of school property from and after June 30, 1998 and one fund for monies received from the lease of school property for one year or less. The county treasurer shall credit the deposits to the respective school plant fund of the respective school district. Monies placed to the credit of the school plant funds may be expended as provided in this section. The school plant funds are continuing funds not subject to reversion.

E. Notwithstanding subsection C of this section, the governing board, or the superintendent or chief administrative officer with the approval of the governing board, may expend the proceeds from the sale before July 1, 1998 or lease of school property for the additional maintenance and operations expenses incurred as the result of operating on a year-round school year operation basis pursuant to section 15-855. The amount that the governing board, superintendent or chief administrative officer may expend for a year-round school year operation, as provided in this subsection, is limited to the actual maintenance and operations costs incurred as the result of the year-round school year operation as documented in the school district's budget as provided in section 15-855. A governing board, superintendent or chief administrative officer that utilizes this subsection is subject to all other limitations prescribed in this section regarding the expenditure of proceeds from the sale before July 1, 1998 or lease of school property.

F. Notwithstanding subsections B and D of this section, if the school district electors approve the sale of school property and the use of the proceeds for the purchase of school sites or the construction, improvement or furnishing of school facilities, the proceeds from the sale shall be put in a separate fund for use for the approved purpose as prescribed by the uniform system of financial records. This fund is a continuing fund not subject to reversion, except that after ten years any unexpended monies shall be put in the school plant fund for use as prescribed in this section.

G. Proceeds from sales by condemnation or sales under threat of condemnation may be deposited with the county treasurer for deposit in the condemnation fund or the school plant fund of the school district. The condemnation fund is a continuing fund not subject to reversion, except that after ten years any unspent monies shall be placed in the school plant fund to be used as prescribed in this section. The governing board, or the superintendent or chief administrative officer with the approval of the governing board, may apply the proceeds in the condemnation fund to:

1. The payment of any outstanding bonded indebtedness of the school district which is payable from the levy of taxes upon property within the school district.

2. Construct, acquire, improve, repair or furnish school facilities or sites after notice and a hearing.

H. Proceeds from a right-of-way settlement shall be deposited with the county treasurer for deposit in the condemnation fund of the school district. The governing board, or the superintendent or chief administrative officer with the approval of the governing board, shall apply such proceeds in the condemnation fund to construct, acquire, improve, repair or furnish school facilities or sites after notice and a hearing.

I. For the purposes of this section, "capital outlay" means unrestricted capital outlay as prescribed in section 15-903, subsection C.

APPROVED BY THE GOVERNOR APRIL 11, 2013.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 11, 2013.

Passed the House February 13, 2013

by the following vote: 42 Ayes,

17 Nays, 1 Not Voting

Speaker of the House

Chief Clerk of the House

Passed the Senate April 9, 2013

by the following vote: 25 Ayes,

5 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

10 day of April, 2013

at 3:20 o'clock P M.

Secretary to the Governor

Approved this 11th day of

April

at 12:46 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 11th day of April, 2013

at 4:34 o'clock P M.

Secretary of State

H.B. 2202