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MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
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2016

CHAPTER 48

SENATE BILL 1117

AN ACT

AMENDING SECTIONS 15-904, 15-995 AND 15-2002, ARIZONA REVISED STATUTES; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 15-904, Arizona Revised Statutes, is amended to read:

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

A. The governing board of each school district shall publish an annual financial report for the prior fiscal year by November 15. The auditor general in conjunction with the department of education shall prescribe the format of the financial report to be used by school districts. The financial report shall contain budgeted and actual expenditures for the preceding fiscal year and shall be prepared and distributed by October 15 by the school district with a copy to the county school superintendent. A copy of the annual financial report shall be submitted electronically by the school district to the superintendent of public instruction by October 15. The annual financial report shall be approved by the county school superintendent in an electronic procedure as prescribed by the department of education. On or before October 15, the governing board shall submit the annual financial report for the previous fiscal year to the department of education, which shall prominently display this information about that school district on the website maintained by the department. If the school district maintains a website, the school district shall post a link to the website of the department of education where this information about the school district is posted. School districts that are subject to section 15-914.01 are not required to send a copy to the county school superintendent.

B. In addition to the information required in subsection A of this section, the annual financial report shall contain detailed information on the school district budgeted and actual expenditures from the bond building fund, the unrestricted capital fund, THE ADJACENT WAYS FUND, the deficiencies correction fund and the new school facilities fund, including but not limited to information on classified salaries, employee benefits, interest and fiscal charges, capital lease agreements, land and improvements, buildings and improvements, furniture and equipment, technology and vehicles and transportation equipment for pupils. The information shall specify whether the expenditures are for school district renovation or for new construction, the cost per square foot and land acquisition costs, as appropriate.

C. Except as provided in subsection D of this section, the governing board shall publish, by November 15, the annual financial report for the school district either in a newspaper of general circulation within the school district, by electronic transmission of the information to the department of education for posting on the department's website or in the official newspaper of the county as prescribed in section 11-255, or the governing board may mail the annual financial report for the school district to each household in the school district. If the governing board chooses to transmit the report electronically to the department of education, the school district shall provide a link on the school district's website to the report

on the department's website. If the governing board chooses to publish the report in a newspaper, the size of the newspaper print shall be at least eight-point type. The cost of publication or mailing shall be a charge against the school district. The publisher's affidavit of publication shall be filed by the governing board of the school district with the superintendent of public instruction within thirty days after publication.

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

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

Sec. 2. Section 15-995, Arizona Revised Statutes, is amended to read:

15-995. Special district assessment for adjacent ways by school district

A. The governing board of a school district may contract for constructing, maintaining or otherwise improving any public way adjacent to any parcel of land owned by the school district or leased for school purposes by the school district, or an intersection of any public way adjoining a quarter block in which the parcel of land is situated, and for the construction of sidewalks, sewers, utility lines, roadways and other related improvements in or along such streets and intersections, and to pay for such improvements by the levy of a special assessment ~~upon~~ ON the taxable property in the school district. A school district shall not use any portion of the monies generated from the special assessment for any construction, maintenance or other improvements to the school district's property except improvements necessary to ~~assure~~ ENSURE the safe ingress to and egress from public school property directly adjacent to the public way for buses and fire equipment. The assessment shall be made a part of the itemized statement THAT IS regularly filed with the county school superintendent and ~~showing~~ THAT SHOWS the amount of monies needed for the expenses of schools within the school district for the ensuing year. EACH ADJACENT WAYS PROJECT PROPOSAL TO BE FUNDED THROUGH THIS SPECIAL ASSESSMENT MUST BE FILED WITH THE SCHOOL FACILITIES BOARD AND INCLUDE THE PROJECT COST ESTIMATE. IF THE ENTIRE PROJECT COST FOR THE ADJACENT WAYS PROJECT IS GREATER THAN FIFTY THOUSAND DOLLARS, THE EXPENDITURE SHALL NOT BE MADE UNLESS THE SCHOOL FACILITIES BOARD VALIDATES BOTH OF THE FOLLOWING:

1. THE PROJECT THAT IS PROPOSED TO BE FUNDED BY THE ASSESSMENT IS IN COMPLIANCE WITH STATE LAWS RELATING TO ADJACENT WAYS PROJECTS.

2. THE PROPOSAL SELECTED BY THE SCHOOL DISTRICT DOES NOT CONTAIN ADDITIONAL WORK THAT IS NOT LISTED IN THE ADJACENT WAYS PROPOSAL SUBMITTED BY THE SCHOOL DISTRICT.

B. If any property THAT IS owned by a school district or leased by a school district for school purposes from any city or county, the state or the United States is included within the assessment district to be assessed to pay the costs and expenses of any public improvements initiated by a city, ~~as~~ IN ORDER to make the assessments thereon payable by the city in which the improvement is initiated, the governing board may contract with the municipality or its improvement district to reimburse it for the amount of the assessment against the property and to pay the amount so contracted for by the levy of a special assessment as provided by subsection A of this section.

C. The governing board of the school district shall follow the truth in taxation notice and hearing requirements prescribed in section 15-905.01, subsection B.

D. The portion of the primary tax rate to fund adjacent ways as provided in this section shall not be included in the computation of additional state aid for education as prescribed in section 15-972.

Sec. 3. Section 15-2002, Arizona Revised Statutes, is amended to read:

15-2002. Powers and duties; executive director; staffing; report

A. The school facilities board shall:

1. Make assessments of school facilities and equipment deficiencies and approve the distribution of grants as appropriate.

2. Maintain a database of school facilities to administer the building renewal grant fund and new school facilities formula. The facilities listed in the database must include all buildings that are owned by school districts. The school facilities board shall ensure that the database is updated on at least an annual basis. Each school district shall report to the school facilities board no later than September 1 of each year information as required by the school facilities board for the administration of the building renewal grant fund and computation of new school facilities formula distributions, including the nature and cost of major repairs, renovations or physical improvements to or replacement of building systems or equipment that were made in the previous year and that were paid for either with local monies or monies provided by the school facilities board from the building renewal grant fund. Each school district shall report any school or school buildings that have been closed, that have been leased to another entity or that operate as a charter school. The school facilities board may review or audit the information, or both, to confirm the information submitted by a school district. Notwithstanding any other provision of this chapter, if a school district converts space that is listed in the database maintained pursuant to this paragraph to space that will be used for administrative purposes, the school district is responsible for any costs

associated with the conversion, maintenance and replacement of that space. If a building is significantly upgraded or remodeled, the school facilities board shall adjust the age of that school facility in the database as follows:

(a) Determine the building capacity value as follows:

(i) Multiply the student capacity of the building by the per pupil square foot capacity established by section 15-2041.

(ii) Multiply the product determined in item (i) of this subdivision by the cost per square foot established by section 15-2041.

(b) Divide the cost of the renovation by the building capacity value determined in subdivision (a) of this paragraph.

(c) Multiply the quotient determined in subdivision (b) of this paragraph by the currently listed age of the building in the database.

(d) Subtract the product determined in subdivision (c) of this paragraph from the currently listed age of the building in the database, rounded to the nearest whole number. If the result is a negative number, use zero.

3. Inspect school buildings at least once every five years to ensure compliance with the building adequacy standards prescribed in section 15-2011 and routine preventative maintenance guidelines as prescribed in this section with respect to construction of new buildings and maintenance of existing buildings. The school facilities board shall randomly select twenty school districts every thirty months and inspect them pursuant to this paragraph.

4. Review and approve student population projections submitted by school districts to determine to what extent school districts are entitled to monies to construct new facilities pursuant to section 15-2041. The board shall make a final determination within six months of the receipt of an application by a school district for monies from the new school facilities fund.

5. Certify that plans for new school facilities meet the building adequacy standards prescribed in section 15-2011.

6. Develop prototypical elementary and high school designs. The board shall review the design differences between the schools with the highest academic productivity scores and the schools with the lowest academic productivity scores. The board shall also review the results of a valid and reliable survey of parent quality rating in the highest performing schools and the lowest performing schools in this state. The survey of parent quality rating shall be administered by the department of education. The board shall consider the design elements of the schools with the highest academic productivity scores and parent quality ratings in the development of elementary and high school designs. The board shall develop separate school designs for elementary, middle and high schools with varying pupil capacities.

7. Develop application forms, reporting forms and procedures to carry out the requirements of this article.

8. Review and approve or reject requests submitted by school districts to take actions pursuant to section 15-341, subsection G.

9. Submit electronically an annual report on or before December 15 to the speaker of the house of representatives, the president of the senate, the superintendent of public instruction, the secretary of state and the governor that includes the following information:

(a) A detailed description of the amount of monies distributed by the school facilities board in the previous fiscal year.

(b) A list of each capital project that received monies from the school facilities board during the previous fiscal year, a brief description of each project that was funded and a summary of the board's reasons for the distribution of monies for the project.

(c) A summary of the findings and conclusions of the building maintenance inspections conducted pursuant to this article during the previous fiscal year.

(d) A summary of the findings of common design elements and characteristics of the highest performing schools and the lowest performing schools based on academic productivity, including the results of the parent quality rating survey. For the purposes of this subdivision, "academic productivity" means academic year advancement per calendar year as measured with student-level data using the statewide nationally standardized norm-referenced achievement test.

10. On or before December 1 of each year, report electronically to the joint committee on capital review the amounts necessary to fulfill the requirements of sections 15-2022 and 15-2041 for the following three fiscal years. In developing the amounts necessary for this report, the school facilities board shall use the most recent average daily membership data available. On request from the board, the department of education shall make available the most recent average daily membership data for use in calculating the amounts necessary to fulfill the requirements of section 15-2041 for the following three fiscal years. The board shall provide copies of the report to the president of the senate, the speaker of the house of representatives and the governor.

11. Adopt minimum school facility adequacy guidelines to provide the minimum quality and quantity of school buildings and the facilities and equipment necessary and appropriate to enable pupils to achieve the educational goals of the Arizona state schools for the deaf and the blind. The school facilities board shall establish minimum school facility adequacy guidelines applicable to the Arizona state schools for the deaf and the blind.

12. In each even-numbered year, report electronically to the joint committee on capital review the amounts necessary to fulfill the requirements of section 15-2041 for the Arizona state schools for the deaf and the blind for the following two fiscal years. The Arizona state schools for the deaf and the blind shall incorporate the findings of the report in any request for

new school facilities monies. Any monies provided to the Arizona state schools for the deaf and the blind for new school facilities are subject to legislative appropriation.

13. On or before June 15 of each year, submit electronically detailed information regarding demographic assumptions, a proposed construction schedule and new school construction cost estimates for individual projects approved in the current fiscal year and expected project approvals for the upcoming fiscal year to the joint committee on capital review for its review. A copy of the report shall also be submitted electronically to the governor's office of strategic planning and budgeting. The joint legislative budget committee staff, the governor's office of strategic planning and budgeting staff and the school facilities board staff shall agree on the format of the report.

14. Every two years, provide school districts with information on improving and maintaining the indoor environmental quality in school buildings.

15. On or before December 31 of each year, report to the joint legislative budget committee on all class B bond approvals by school districts in that year. Each school district shall report to the school facilities board on or before December 1 of each year information required by the school facilities board for the report prescribed in this paragraph.

16. VALIDATE PROPOSED ADJACENT WAYS PROJECTS SUBMITTED BY SCHOOL DISTRICTS AS PRESCRIBED IN SECTION 15-995.

B. The school facilities board may contract for the following services in compliance with the procurement practices prescribed in title 41, chapter 23:

1. Private services.

2. Construction project management services.

3. Assessments for school buildings to determine if the buildings have outlived their useful life pursuant to section 15-2041, subsection G.

4. Services related to land acquisition and development of a school site.

C. The governor shall appoint an executive director of the school facilities board pursuant to section 38-211. The executive director is eligible to receive compensation as determined pursuant to section 38-611 and may hire and fire necessary staff subject to title 41, chapter 4, article 4 and as approved by the legislature in the budget. The executive director shall have demonstrated competency in school finance, facilities design or facilities management, either in private business or government service. The executive director serves at the pleasure of the governor. The staff of the school facilities board is exempt from title 41, chapter 4, articles 5 and 6. The executive director:

1. Shall analyze applications for monies submitted to the board by school districts.

2. Shall assist the board in developing forms and procedures for the distribution and review of applications and the distribution of monies to school districts.

3. May review or audit, or both, the expenditure of monies by a school district for deficiencies corrections and new school facilities.

4. Shall assist the board in the preparation of the board's annual report.

5. Shall research and provide reports on issues of general interest to the board.

6. May aid school districts in the development of reasonable and cost-effective school designs in order to avoid statewide duplicated efforts and unwarranted expenditures in the area of school design.

7. May assist school districts in facilitating the development of multijurisdictional facilities.

8. Shall assist the board in any other appropriate matter or method as directed by the members of the board.

9. Shall establish procedures to ensure compliance with the notice and hearing requirements prescribed in section 15-905. The notice and hearing procedures adopted by the board shall include the requirement, with respect to the board's consideration of any application filed after July 1, 2001 or after December 31 of the year in which the property becomes territory in the vicinity of a military airport or ancillary military facility as defined in section 28-8461 for monies to fund the construction of new school facilities proposed to be located in territory in the vicinity of a military airport or ancillary military facility, that the military airport receive notification of the application by first class mail at least thirty days before any hearing concerning the application.

10. May expedite any request for monies in which the local match was not obtained for a project that received preliminary approval by the state board for school capital facilities.

11. Shall expedite any request for monies in which the school district governing board submits an application that shows an immediate need for a new school facility.

12. Shall make a determination as to administrative completion within one month after the receipt of an application by a school district for monies from the new school facilities fund.

13. Shall provide technical support to school districts as requested by school districts in connection with the construction of new school facilities and the maintenance of existing school facilities and may contract directly with construction project managers pursuant to subsection B of this section. This paragraph does not restrict a school district from contracting with a construction project manager using district or state resources.

D. When appropriate, the school facilities board shall review and use the statewide school facilities inventory and needs assessment conducted by the joint committee on capital review and issued in July, 1995.

E. The school facilities board shall contract with one or more private building inspectors to complete an initial assessment of school facilities and equipment and shall inspect each school building in this state at least once every five years to ensure compliance with section 15-2011. A copy of the inspection report, together with any recommendations for building maintenance, shall be provided to the school facilities board and the governing board of the school district.

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

G. The board shall not award any monies to fund new facilities that are financed by class A bonds that are issued by the school district.

H. The board shall not distribute monies to a school district for replacement or repair of facilities if the costs associated with the replacement or repair are covered by insurance or a performance or payment bond.

I. The board may contract for construction services and materials that are necessary to correct existing deficiencies in school district facilities. The board may procure the construction services necessary pursuant to this subsection by any method, including construction-manager-at-risk, design-build, design-bid-build or job-order-contracting as provided by title 41, chapter 23. The construction planning and services performed pursuant to this subsection are exempt from section 41-791.01.

J. The school facilities board may enter into agreements with school districts to allow school facilities board staff and contractors access to school property for the purposes of performing the construction services necessary pursuant to subsection I of this section.

K. Each school district shall develop routine preventative maintenance guidelines for its facilities. The guidelines shall include plumbing systems, electrical systems, heating, ventilation and air conditioning systems, special equipment and other systems and for roofing systems shall recommend visual inspections performed by district staff for signs of structural stress and weakness. The guidelines shall be submitted to the school facilities board for review and approval. If on inspection by the school facilities board it is determined that a school district facility was inadequately maintained pursuant to the school district's routine preventative maintenance guidelines, the school district shall return the building to compliance with the school district's routine preventative maintenance guidelines.

L. The school facilities board may temporarily transfer monies between the capital reserve fund established by section 15-2003, the emergency deficiencies correction fund established by section 15-2022 and the new

school facilities fund established by section 15-2041 if all of the following conditions are met:

1. The transfer is necessary to avoid a temporary shortfall in the fund into which the monies are transferred.

2. The transferred monies are restored to the fund where the monies originated as soon as practicable after the temporary shortfall in the other fund has been addressed.

3. The school facilities board reports to the joint committee on capital review the amount of and the reason for any monies transferred.

M. After notifying each school district, and if a written objection from the school district is not received by the school facilities board within thirty days of the notification, the school facilities board may access public utility company records of power, water, natural gas, telephone and broadband usage to assemble consistent and accurate data on utility consumption at school facilities to determine the effectiveness of facility design, operation and maintenance measures intended to reduce energy and water consumption and costs. Any public utility that provides service to a school district in this state shall provide the data requested by the school facilities board pursuant to this subsection.

N. The school facilities board shall not require a common school district that provides instruction to pupils in grade nine to obtain approval from the school facilities board to reconfigure its school facilities. A common school district that provides instruction to pupils in grade nine is not entitled to additional monies from the school facilities board for facilities to educate pupils in grade nine.

APPROVED BY THE GOVERNOR MARCH 18, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 18, 2016.

Passed the House March 16, 2016,

by the following vote: 32 Ayes,

28 Nays, 0 Not Voting

Speaker of the House

Pro Tempore

Jim Drake

Chief Clerk of the House

Passed the Senate February 22, 2016,

by the following vote: 18 Ayes,

12 Nays, 0 Not Voting

President of the Senate

Susan Aceves

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

17th day of March, 2016,

at 1:58 o'clock P. M.

Secretary to the Governor

Approved this 18th day of

March, 2016,

at 3:25 o'clock P M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 18 day of March, 2016,

at 5:15 o'clock P M.

Michele Reagan

Secretary of State

S.B. 1117