House Engrossed

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MICHELE REAGAN

SECRETARY OF STATE

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CHAPTER 304

HOUSE BILL 2545

AN ACT

AMENDING SECTIONS 15-185 AND 15-249.06, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 15-249.07, 15-249.08 AND 15-249.09; AMENDING SECTIONS 15-901, 15-945, 15-2002, 15-2011 AND 15-2041, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; RELATING TO KINDERGARTEN THROUGH GRADE TWELVE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 15-185, Arizona Revised Statutes, is amended to read:

15-185. Charter schools; financing; civil penalty; transportation; definition

A. A school district is not financially responsible for any charter school that is sponsored by the state board of education, the state board for charter schools, a university under the jurisdiction of the Arizona board of regents, a community college district or a group of community college districts.

B. Financial provisions for a charter school that is sponsored by the state board of education, the state board for charter schools, a university, a community college district or a group of community college districts are as follows:

1. The charter school shall calculate a base support level as prescribed in section 15-943, except that:

(a) Section 15-941 does not apply to these charter schools.

(b) The small school weights prescribed in section 15-943, paragraph 1 apply if a charter holder, as defined in section 15-101, holds one charter for one or more school sites and the average daily membership for the school sites are combined for the calculation of the small school weight. The small school weight shall not be applied individually to a charter holder if one or more of the following conditions exist and the combined average daily membership derived from the following conditions is greater than six hundred:

(i) The organizational structure or management agreement of the charter holder requires the charter holder or charter school to contract with a specific management company.

(ii) The governing body of the charter holder has identical membership to another charter holder in this state.

(iii) The charter holder is a subsidiary of a corporation that has other subsidiaries that are charter holders in this state.

(iv) The charter holder holds more than one charter in this state.

(c) Notwithstanding subdivision (b) of this paragraph, for fiscal years 2015-2016 and 2016-2017 the department of education shall reduce by thirty-three percent the amount provided by the small school weight for charter schools prescribed in subdivision (b) of this paragraph.

2. Notwithstanding paragraph 1 of this subsection, the student count shall be determined initially using an estimated student count based on actual registration of pupils before the beginning of the school year. Notwithstanding section 15-1042, subsection F, student level data submitted to the department may be used to determine estimated student counts. After the first forty days, one hundred days or two hundred days in session, as applicable, the charter school shall revise the student

count to be equal to the actual average daily membership, as defined in section 15-901, of the charter school. Before the fortieth day, one hundredth day or two hundredth day in session, as applicable, the state board of education, the state board for charter schools, the sponsoring university, the sponsoring community college district or the sponsoring group of community college districts may require a charter school to report periodically regarding pupil enrollment and attendance, and the department of education may revise its computation of equalization assistance based on the report. A charter school shall revise its student count, base support level and charter additional assistance before May 15. A charter school that overestimated its student count shall revise its budget before May 15. A charter school that underestimated its student count may revise its budget before May 15.

3. A charter school may utilize section 15-855 for the purposes of this section. The charter school and the department of education shall prescribe procedures for determining average daily membership.

4. Equalization assistance for the charter school shall be determined by adding the amount of the base support level and charter additional assistance. The amount of the charter additional assistance is one thousand seven hundred ~~fifty-two~~ SEVENTY-FIVE dollars ~~ten~~ FIVE cents per student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and two thousand ~~forty-two~~ SIXTY-EIGHT dollars ~~four~~ SEVENTY-NINE cents per student count in grades nine through twelve.

5. The state board of education shall apportion state aid from the appropriations made for such purposes to the state treasurer for disbursement to the charter schools in each county in an amount as determined by this paragraph. The apportionments shall be made as prescribed in section 15-973, subsection B.

6. The charter school shall not charge tuition for pupils who reside in this state, levy taxes or issue bonds. A charter school may admit pupils who are not residents of this state and shall charge tuition for those pupils in the same manner prescribed in section 15-823.

7. Not later than noon on the day preceding each apportionment date established by paragraph 5 of this subsection, the superintendent of public instruction shall furnish to the state treasurer an abstract of the apportionment and shall certify the apportionment to the department of administration, which shall draw its warrant in favor of the charter schools for the amount apportioned.

C. If a pupil is enrolled in both a charter school and a public school that is not a charter school, the sum of the daily membership, which includes enrollment as prescribed in section 15-901, subsection A, paragraph 1, subdivisions (a) and (b) and daily attendance as prescribed in section 15-901, subsection A, paragraph 5, for that pupil in the school

district and the charter school shall not exceed 1.0. If a pupil is enrolled in both a charter school and a public school that is not a charter school, the department of education shall direct the average daily membership to the school with the most recent enrollment date. On validation of actual enrollment in both a charter school and a public school that is not a charter school and if the sum of the daily membership or daily attendance for that pupil is greater than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between the public school and the charter school based on the percentage of total time that the pupil is enrolled or in attendance in the public school and the charter school. The uniform system of financial records shall include guidelines for the apportionment of the pupil enrollment and attendance as provided in this section.

D. Charter schools are allowed to accept grants and gifts to supplement their state funding, but it is not the intent of the charter school law to require taxpayers to pay twice to educate the same pupils. The base support level for a charter school or for a school district sponsoring a charter school shall be reduced by an amount equal to the total amount of monies received by a charter school from a federal or state agency if the federal or state monies are intended for the basic maintenance and operations of the school. The superintendent of public instruction shall estimate the amount of the reduction for the budget year and shall revise the reduction to reflect the actual amount before May 15 of the current year. If the reduction results in a negative amount, the negative amount shall be used in computing all budget limits and equalization assistance, except that:

1. Equalization assistance shall not be less than zero.

2. For a charter school sponsored by the state board of education, the state board for charter schools, a university, a community college district or a group of community college districts, the total of the base support level and the charter additional assistance shall not be less than zero.

E. If a charter school was a district public school in the prior year and sponsored by the state board of education, the state board for charter schools, a university, a community college district or a group of community college districts, the reduction in subsection D of this section applies. The reduction to the base support level of the charter school shall equal the sum of the base support level and the charter additional assistance received in the current year for those pupils who were enrolled in the traditional public school in the prior year and are now enrolled in the charter school in the current year.

F. Equalization assistance for charter schools shall be provided as a single amount based on average daily membership without categorical distinctions between maintenance and operations or capital.

G. At the request of a charter school, the county school superintendent of the county where the charter school is located may provide the same educational services to the charter school as prescribed in section 15-308, subsection A. The county school superintendent may charge a fee to recover costs for providing educational services to charter schools.

H. If the sponsor of the charter school determines at a public meeting that the charter school is not in compliance with federal law, with the laws of this state or with its charter, the sponsor of a charter school may submit a request to the department of education to withhold up to ten percent of the monthly apportionment of state aid that would otherwise be due the charter school. The department of education shall adjust the charter school's apportionment accordingly. The sponsor shall provide written notice to the charter school at least seventy-two hours before the meeting and shall allow the charter school to respond to the allegations of noncompliance at the meeting before the sponsor makes a final determination to notify the department of education of noncompliance. The charter school shall submit a corrective action plan to the sponsor on a date specified by the sponsor at the meeting. The corrective action plan shall be designed to correct deficiencies at the charter school and to ensure that the charter school promptly returns to compliance. When the sponsor determines that the charter school is in compliance, the department of education shall restore the full amount of state aid payments to the charter school.

I. In addition to the withholding of state aid payments pursuant to subsection H of this section, the sponsor of a charter school may impose a civil penalty of one thousand dollars per occurrence if a charter school fails to comply with the fingerprinting requirements prescribed in section 15-183, subsection C or section 15-512. The sponsor of a charter school shall not impose a civil penalty if it is the first time that a charter school is out of compliance with the fingerprinting requirements and if the charter school provides proof within forty-eight hours of written notification that an application for the appropriate fingerprint check has been received by the department of public safety. The sponsor of the charter school shall obtain proof that the charter school has been notified, and the notification shall identify the date of the deadline and shall be signed by both parties. The sponsor of a charter school shall automatically impose a civil penalty of one thousand dollars per occurrence if the sponsor determines that the charter school subsequently violates the fingerprinting requirements. Civil penalties pursuant to this subsection shall be assessed by requesting the department of education to reduce the amount of state aid that the charter school would otherwise receive by an amount equal to the civil penalty. The amount of

state aid withheld shall revert to the state general fund at the end of the fiscal year.

J. A charter school may receive and spend monies distributed by the department of education pursuant to section 42-5029, subsection E and section 37-521, subsection B.

K. If a school district transports or contracts to transport pupils to the Arizona state schools for the deaf and the blind during any fiscal year, the school district may transport or contract with a charter school to transport sensory impaired pupils during that same fiscal year to a charter school if requested by the parent of the pupil and if the distance from the pupil's place of actual residence within the school district to the charter school is less than the distance from the pupil's place of actual residence within the school district to the campus of the Arizona state schools for the deaf and the blind.

L. Notwithstanding any other law, a university under the jurisdiction of the Arizona board of regents, a community college district or a group of community college districts shall not include any student in the student count of the university, community college district or group of community college districts for state funding purposes if that student is enrolled in and attending a charter school sponsored by the university, community college district or group of community college districts.

M. The governing body of a charter school shall transmit a copy of its proposed budget or the summary of the proposed budget and a notice of the public hearing to the department of education for posting on the department of education's website no later than ten days before the hearing and meeting. If the charter school maintains a website, the charter school governing body shall post on its website a copy of its proposed budget or the summary of the proposed budget and a notice of the public hearing.

N. The governing body of a charter school shall collaborate with the private organization that is approved by the state board of education pursuant to section 15-792.02 to provide approved board examination systems for the charter school.

O. If permitted by federal law, a charter school may opt out of federal grant opportunities if the charter holder or the appropriate governing body of the charter school determines that the federal requirements impose unduly burdensome reporting requirements.

P. For the purposes of this section, "monies intended for the basic maintenance and operations of the school" means monies intended to provide support for the educational program of the school, except that it does not include supplemental assistance for a specific purpose or title VIII of the elementary and secondary education act of 1965 monies. The auditor general shall determine which federal or state monies meet this definition.

Sec. 2. Section 15-249.06, Arizona Revised Statutes, is amended to read:

15-249.06. College credit by examination incentive program; incentive bonuses; report; program termination

A. The college credit by examination incentive program is established within the department of education to provide an incentive bonus to teachers, school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school.

B. The Arizona board of regents shall maintain a list of qualifying examinations that a high school student may take in order to receive college credit in mathematics, English language arts or science from any university under the jurisdiction of the Arizona board of regents and the passing scores required on those examinations in order to receive college credit. On or before September 1 of each year, the Arizona board of regents shall provide the list of qualifying examinations and passing scores to the department of education and shall submit this list to the joint legislative budget committee for review.

C. Beginning in fiscal year 2017-2018, the department of education shall pay an incentive bonus to school districts and charter schools for each student in grades nine through twelve who receives a passing score during the previous fiscal year on a qualifying examination identified by the Arizona board of regents pursuant to subsection B of this section. A student who receives a passing score on a qualifying examination and who is enrolled in a school where fifty percent or more of the students are eligible for free or reduced price lunches shall generate for the school district or charter school a bonus of four hundred fifty dollars per passing score on a qualifying examination. A student who receives a passing score on a qualifying examination and who is enrolled in a school where less than fifty percent of the students are eligible for free or reduced price lunches shall generate for the school district or charter school a bonus of three hundred dollars per passing score on a qualifying examination. If the statewide sum of per student bonuses awarded pursuant to this subsection exceeds the amount of available monies appropriated for incentive bonuses, the bonus monies shall be reduced proportionally to cover all eligible bonus awards.

D. A school district or charter school that receives an incentive bonus pursuant to this section shall distribute at least fifty percent of the bonus monies to the associated classroom teacher for each student who passes a qualifying examination. Bonus monies awarded to a teacher pursuant to this subsection shall be in addition to any regular wage, compensation or other bonus the teacher receives or is scheduled to receive. The remainder of any bonus monies received by a school district or charter school shall be used for teacher professional development or

student instructional support or materials. Any bonus monies received by a school district or charter school pursuant to this subsection shall be separately accounted for in the school district's or charter school's annual financial report.

E. Incentive bonuses distributed to and any bonus monies received by a school district or charter school pursuant to this section are not subject to collective bargaining.

F. On or before December 15, 2018 and on or before December 15 of each year thereafter, the department of education shall submit to the president of the senate, the speaker of the house of representatives, the governor and the secretary of state AND TO THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR REVIEW a report on all of the following:

1. The number of students who took a qualifying examination at each school.

2. The number of students who received a passing score on a qualifying examination and the number of incentive bonus awards distributed.

3. The number and types of qualifying examinations taken by students.

4. THE AMOUNT OF BONUS MONIES RECEIVED BY EACH SCHOOL.

G. Incentive bonuses distributed to and any bonus monies received by a teacher are not compensation as defined in section 38-711.

H. The program established by this section ends on July 1, 2026 pursuant to section 41-3102.

Sec. 3. Title 15, chapter 2, article 2, Arizona Revised Statutes, is amended by adding sections 15-249.07, 15-249.08 and 15-249.09, to read:

15-249.07. <u>Broadband expansion fund; requirements; disbursements to certified applicants; reports</u>

A. THE BROADBAND EXPANSION FUND IS ESTABLISHED CONSISTING OF LEGISLATIVE APPROPRIATIONS. THE DEPARTMENT OF EDUCATION SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND SHALL BE USED TO PROVIDE STATE MATCHING MONIES FOR CERTIFIED BROADBAND CONNECTIVITY CONSTRUCTION PROJECTS FOR QUALIFIED APPLICANTS. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

B. QUALIFIED APPLICANTS FOR DISTRIBUTIONS FROM THE BROADBAND EXPANSION FUND INCLUDE SCHOOLS, SCHOOL DISTRICTS, LIBRARIES AND GROUPS OF SCHOOLS OR SCHOOL DISTRICTS WITH BROADBAND CONNECTIVITY CONSTRUCTION PROJECTS THAT ARE CERTIFIED BY THE DEPARTMENT AND THAT ARE ELIGIBLE FOR THE FEDERAL UNIVERSAL SERVICE PROGRAM FOR SCHOOLS AND LIBRARIES KNOWN AS THE E-RATE PROGRAM.

C. NOTWITHSTANDING SUBSECTION A OF THIS SECTION, THE FIRST EIGHT MILLION DOLLARS OF CUMULATIVE STATE MATCHING CONTRIBUTIONS FOR CERTIFIED BROADBAND CONNECTIVITY CONSTRUCTION PROJECTS SHALL BE PROVIDED BY THE

CORPORATION COMMISSION FROM THE FUNDING MECHANISM ESTABLISHED BY THE CORPORATION COMMISSION IN ACCORDANCE WITH THE FEDERAL UNIVERSAL SERVICE PROGRAM.

D. THE DEPARTMENT MAY DISBURSE MONIES FROM THE BROADBAND EXPANSION FUND TO THE APPLICANT OF A CERTIFIED BROADBAND CONNECTIVITY CONSTRUCTION PROJECT ON NOTIFICATION FROM THE UNIVERSAL SERVICE ADMINISTRATIVE COMPANY THAT A PROJECT IS APPROVED FOR FEDERAL E-RATE PROGRAM MONIES.

E. AN APPLICANT MAY NOT RECEIVE A TOTAL AMOUNT FROM THE FEDERAL UNIVERSAL SERVICE FUND, THE FUNDING MECHANISM ESTABLISHED BY THE CORPORATION COMMISSION IN ACCORDANCE WITH THE FEDERAL UNIVERSAL SERVICE PROGRAM AND THE BROADBAND EXPANSION FUND IN EXCESS OF THE CERTIFIED BROADBAND CONNECTIVITY CONSTRUCTION PROJECT'S COST.

F. WHEN CERTIFYING PROJECTS AS ELIGIBLE FOR FUNDING FROM THE BROADBAND EXPANSION FUND, THE DEPARTMENT SHALL GIVE PRIORITY TO APPLICANTS WITH AN E-RATE PROGRAM DISCOUNT RATE OF AT LEAST EIGHTY PERCENT, AS DEFINED BY THE UNIVERSAL SERVICE ADMINISTRATIVE COMPANY.

G. CERTIFIED BROADBAND CONNECTIVITY CONSTRUCTION PROJECTS FUNDED WITH MONIES FROM THE BROADBAND EXPANSION FUND:

1. SHALL PROVIDE BANDWIDTH SUFFICIENT TO MEET THE STANDARDS FOR EDUCATIONAL SERVICES FOR THE RELEVANT FUNDING YEAR BY THE FEDERAL COMMUNICATIONS COMMISSION AND MAY NOT EXCEED THOSE STANDARDS WITHOUT GOOD CAUSE.

2. MAY BE FIBER-BASED OR, IF DETERMINED TO BE JUSTIFIED BY COST, NONFIBER BASED.

H. ON OR BEFORE JUNE 30 AND DECEMBER 31 OF EACH YEAR, THE DEPARTMENT SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE THE FOLLOWING INFORMATION FOR EACH BROADBAND CONNECTIVITY CONSTRUCTION PROJECT THAT THE DEPARTMENT HAS CERTIFIED TO RECEIVE A STATE MATCHING CONTRIBUTION:

1. THE APPLICANT'S NAME.

2. WHETHER THE PROJECT IS IN PROCESS OR COMPLETE.

3. THE FEDERAL E-RATE DISCOUNT CALCULATION.

4. THE TOTAL PROJECT COST AND THE SHARE OF FUNDING PROVIDED BY LOCAL, STATE AND FEDERAL MONIES.

5. THE NUMBER OF STUDENTS SERVED.

I. THE INFORMATION REPORTED ON OR BEFORE JUNE 30 EACH YEAR PURSUANT TO SUBSECTION H OF THIS SECTION SHALL BE SUBMITTED TO THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR REVIEW.

15-249.08. <u>Results-based funding fund; distributions; requirements</u>

A. THE RESULTS-BASED FUNDING FUND IS ESTABLISHED CONSISTING OF LEGISLATIVE APPROPRIATIONS. THE DEPARTMENT OF EDUCATION SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED.

B. THE DEPARTMENT OF EDUCATION SHALL DISTRIBUTE MONIES FROM THE RESULTS-BASED FUNDING FUND TO SCHOOL DISTRICTS AND CHARTER SCHOOLS AS FOLLOWS:

1. BEGINNING IN FISCAL YEAR 2017-2018:

(a) EACH SCHOOL OPERATED BY A SCHOOL DISTRICT OR CHARTER HOLDER SHALL RECEIVE TWO HUNDRED TWENTY-FIVE DOLLARS FROM THE FUND PER STUDENT COUNT IF THE SCHOOL MEETS BOTH OF THE FOLLOWING CRITERIA:

(i) AT THE TIME THE TEST PRESCRIBED IN ITEM (ii) OF THIS SUBDIVISION IS ADMINISTERED, FEWER THAN SIXTY PERCENT OF THE PUPILS WHO ARE ENROLLED IN THE SCHOOL MEET THE ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES, OR AN EQUIVALENT MEASURE RECOGNIZED FOR PARTICIPATING IN THE FEDERAL FREE AND REDUCED-PRICE LUNCH PROGRAM AND OTHER SCHOOL PROGRAMS DEPENDENT ON A POVERTY MEASURE, INCLUDING THE COMMUNITY ELIGIBILITY PROVISION FOR WHICH FREE AND REDUCED-PRICE LUNCH DATA IS NOT AVAILABLE.

(ii) IN RESULTS ACHIEVED DURING THE SPRING OF 2016, THE SCHOOL PERFORMED IN THE TOP TEN PERCENT OF ALL SCHOOLS STATEWIDE AS DEMONSTRATED BY THE AVERAGE PERCENTAGE OF PUPILS WHO OBTAINED A PASSING SCORE ON THE MATHEMATICS PORTIONS OF THE STATEWIDE ASSESSMENT AND THE PERCENT OF PUPILS WHO PASSED THE LANGUAGE ARTS PORTIONS OF THE STATEWIDE ASSESSMENT.

(b) EACH SCHOOL OPERATED BY A SCHOOL DISTRICT OR CHARTER HOLDER SHALL RECEIVE FOUR HUNDRED DOLLARS FROM THE FUND PER STUDENT COUNT IF THE SCHOOL MEETS BOTH OF THE FOLLOWING CRITERIA:

(i) AT THE TIME THAT THE TEST PRESCRIBED IN ITEM (ii) OF THIS SUBDIVISION IS ADMINISTERED, SIXTY PERCENT OR MORE OF THE PUPILS WHO ARE ENROLLED IN THE SCHOOL MEET THE ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES, OR AN EQUIVALENT MEASURE RECOGNIZED FOR PARTICIPATING IN THE FEDERAL FREE AND REDUCED-PRICE LUNCH PROGRAM AND OTHER SCHOOL PROGRAMS DEPENDENT ON A POVERTY MEASURE, INCLUDING THE COMMUNITY ELIGIBILITY PROVISION FOR WHICH FREE AND REDUCED-PRICE LUNCH DATA IS NOT AVAILABLE.

(ii) IN RESULTS ACHIEVED DURING THE SPRING OF 2016, THE SCHOOL PERFORMED IN THE TOP TEN PERCENT OF SCHOOLS PURSUANT TO ITEM (i) OF THIS SUBDIVISION, AS DEMONSTRATED BY THE AVERAGE PERCENTAGE OF THOSE PUPILS WHO OBTAINED A PASSING SCORE ON THE MATHEMATICS PORTIONS OF THE STATEWIDE ASSESSMENT AND THE PERCENT OF PUPILS WHO PASSED THE LANGUAGE ARTS PORTIONS OF THE STATEWIDE ASSESSMENT.

(c) EACH ALTERNATIVE HIGH SCHOOL THAT IS SUBJECT TO A SPECIALIZED RATING SYSTEM AND THAT IN 2014 WAS ASSIGNED THE EQUIVALENT OF A LETTER GRADE DESIGNATION OF A PURSUANT TO SECTION 15-241 SHALL RECEIVE FOUR HUNDRED DOLLARS FROM THE FUND PER STUDENT COUNT.

2. BEGINNING IN FISCAL YEAR 2018-2019:

(a) EACH SCHOOL OPERATED BY A SCHOOL DISTRICT OR CHARTER HOLDER SHALL RECEIVE TWO HUNDRED TWENTY-FIVE DOLLARS FROM THE FUND PER STUDENT COUNT IF THE SCHOOL HAS A LETTER GRADE DESIGNATION OF A PURSUANT TO SECTION 15-241 FROM THE PRIOR FISCAL YEAR AND FEWER THAN SIXTY PERCENT OF THE PUPILS WHO ARE ENROLLED IN THE SCHOOL MEET THE ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES, OR AN EQUIVALENT MEASURE RECOGNIZED FOR PARTICIPATING IN THE FEDERAL FREE AND REDUCED-PRICE LUNCH PROGRAM AND OTHER SCHOOL PROGRAMS DEPENDENT ON A POVERTY MEASURE, INCLUDING THE COMMUNITY ELIGIBILITY PROVISION IN WHICH FREE AND REDUCED-PRICE LUNCH DATA IS NOT AVAILABLE.

(b) EACH SCHOOL OPERATED BY A SCHOOL DISTRICT OR CHARTER HOLDER SHALL RECEIVE FOUR HUNDRED DOLLARS FROM THE FUND PER STUDENT COUNT IF THE SCHOOL HAS A LETTER GRADE DESIGNATION OF A PURSUANT TO SECTION 15-241 FROM THE PRIOR FISCAL YEAR AND SIXTY PERCENT OR MORE OF THE PUPILS WHO ARE ENROLLED IN THE SCHOOL MEET THE ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES, OR AN EQUIVALENT MEASURE RECOGNIZED FOR PARTICIPATING IN THE FEDERAL FREE AND REDUCED-PRICE LUNCH PROGRAM AND OTHER SCHOOL PROGRAMS DEPENDENT ON A POVERTY MEASURE, INCLUDING THE COMMUNITY ELIGIBILITY PROVISION IN WHICH FREE AND REDUCED-PRICE LUNCH DATA IS NOT AVAILABLE.

C. ANY MONIES RECEIVED FROM THE RESULTS-BASED FUNDING FUND BY A SCHOOL DISTRICT OR CHARTER HOLDER SHALL BE SEPARATELY ACCOUNTED FOR IN THE SCHOOL DISTRICT'S OR CHARTER HOLDER'S ANNUAL FINANCIAL REPORT. EXCEPT AS PROVIDED IN THIS SUBSECTION, THE MONIES SHALL BE ALLOCATED DIRECTLY TO ENHANCE, EXPAND OR REPLICATE THE SCHOOL SITE THAT GENERATED THE RESULTS-BASED FUNDING AND SHALL NOT SUPPLANT MONIES BUDGETED OR RECEIVED FROM ANY OTHER SOURCE THAT ARE GENERALLY PROVIDED TO THAT SCHOOL. THE MAJORITY OF THE MONIES RECEIVED FROM THE FUND BY A SCHOOL DISTRICT OR CHARTER HOLDER SHALL BE USED FOR TEACHER SALARIES. TO HIRE TEACHERS AND TO PROVIDE FOR TEACHER PROFESSIONAL DEVELOPMENT. A PORTION OF THE MONIES RECEIVED FROM THE FUND BY A SCHOOL DISTRICT OR CHARTER HOLDER MAY BE USED FOR THE EXPANSION AND REPLICATION OF THAT SCHOOL SITE AS A QUALITY SCHOOL MODEL. THE MONIES SHALL BE USED TO SUSTAIN AND REPLICATE RESULTS, TO SERVE MORE STUDENTS ON A WAITING LIST AT A SCHOOL WITH A LETTER GRADE DESIGNATION OF A OR B AND TO INCREASE SALARIES FOR TEACHERS, OTHER CLASSROOM STAFF AND SCHOOL LEADERS CLOSING THE ACHIEVEMENT GAP IN HIGH-POVERTY SCHOOLS. FOR THE PURPOSES OF THIS SUBSECTION, "REPLICATION" MEANS:

1. ADDING SEATS AND SERVING MORE STUDENTS AT THE AWARDED SCHOOL SITE.

2. USING RESOURCES AT A DIFFERENT LOCATION TO IMPROVE THAT SCHOOL OR TO SUSTAIN OR ACCELERATE ACADEMIC GROWTH.

3. MENTORING OTHER SCHOOLS AND SCHOOL LEADERS TO REPLICATE THE MODEL OR TO PROVIDE OTHER TYPES OF SCHOOL IMPROVEMENT SUPPORTS.

4. PHYSICALLY EXPANDING AT ANOTHER LOCATION.

D. SCHOOLS RECEIVING FUNDING PURSUANT TO SUBSECTION C, PARAGRAPH 2, 3 OR 4 OF THIS SECTION MUST SHOW STEADY IMPROVEMENT AFTER THREE YEARS TO REMAIN ELIGIBLE FOR FUNDING.

15-249.09. Early literacy grant program fund; grants; report; definitions

A. THE EARLY LITERACY GRANT PROGRAM FUND IS ESTABLISHED TO PROVIDE SUPPORT TO IMPROVE READING SKILLS, LITERACY AND PROFICIENCY FOR STUDENTS IN KINDERGARTEN PROGRAMS AND GRADES ONE, TWO AND THREE IN ADDITION TO MONIES RECEIVED PURSUANT TO SECTION 15-211. THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF EDUCATION. THE STATE BOARD OF EDUCATION SHALL DEVELOP POLICIES AND PROCEDURES TO BE ADMINISTERED BY THE DEPARTMENT OF EDUCATION.

B. SUBJECT TO REVIEW AND APPROVAL BY THE STATE BOARD OF EDUCATION, THE DEPARTMENT OF EDUCATION SHALL AWARD GRANTS ON A THREE-YEAR CYCLE TO ELIGIBLE SCHOOLS BASED ON AVAILABLE MONIES ON A PER PUPIL BASIS.

C. ELIGIBLE SCHOOLS MAY USE GRANT MONIES FOR ELIGIBLE EXPENSES TO INCREASE THE READING PROFICIENCY OF STUDENTS IN KINDERGARTEN PROGRAMS AND GRADES ONE, TWO AND THREE. ELIGIBLE SCHOOLS MAY ALSO USE GRANT MONIES TO PROVIDE A FULL-DAY KINDERGARTEN PROGRAM THAT IS STRUCTURED TO INCREASE READING PROFICIENCY. GRANT MONIES MUST BE USED TO SUPPLEMENT AND NOT SUPPLANT ACTIVITIES INCLUDED IN A SCHOOL'S READING PROGRAM PLAN SUBMITTED PURSUANT TO SECTION 15-211.

D. SUBJECT TO REVIEW AND APPROVAL BY THE STATE BOARD OF EDUCATION, THE DEPARTMENT OF EDUCATION SHALL INCLUDE A REPORT ON THE EARLY LITERACY GRANT PROGRAM IN THE K-3 READING PROGRAM PLAN REQUIRED BY SECTION 15-211. THE REPORT SHALL CONTAIN THE FOLLOWING:

1. A DESCRIPTION OF THE GRANTS AWARDED EACH YEAR.

2. A SUMMARY OF THE FUNDED ACTIVITIES.

3. INFORMATION ON THE RECIPIENT SCHOOLS' PROGRESS TOWARD ACHIEVEMENT GOALS.

4. SPECIFIC FINDINGS ON GRANT-FUNDED STRATEGIES AND ACTIVITIES AND THEIR LEVEL OF EFFECTIVENESS IN IMPROVING READING PROFICIENCY IN THE RECIPIENT SCHOOLS.

E. THE PROGRAM ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2025 PURSUANT TO SECTION 41-3102.

F. FOR THE PURPOSES OF THIS SECTION:

1. "ELIGIBLE EXPENSES" MEANS EXPENSES FOR EVIDENCE-BASED STRATEGIES AND INTERVENTIONS DESIGNED TO IMPROVE THE READING PROFICIENCY OF STUDENTS IN KINDERGARTEN PROGRAMS AND GRADES ONE, TWO AND THREE PURSUANT TO

SECTIONS 15-211 AND 15-704, INCLUDING READING COACHES OR SPECIALISTS, READING CURRICULA OR TUTORING PROGRAMS.

2. "ELIGIBLE SCHOOL" MEANS A PUBLIC SCHOOL WITH AT LEAST NINETY PERCENT OF STUDENTS WHO ARE ELIGIBLE FOR FREE AND REDUCED-PRICED LUNCHES UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785).

Sec. 4. Section 15-901, Arizona Revised Statutes, is amended to read:

15-901. Definitions

A. In this title, unless the context otherwise requires:

1. "Average daily membership" means the total enrollment of fractional students and full-time students, minus withdrawals, of each school day through the first one hundred days or two hundred days in session, as applicable, for the current year. Withdrawals include students who are formally withdrawn from schools and students who are absent for ten consecutive school days, except for excused absences identified by the department of education. For the purposes of this section, school districts and charter schools shall report student absence data to the department of education at least once every sixty days in session. For computation purposes, the effective date of withdrawal shall be retroactive to the last day of actual attendance of the student or excused absence.

(a) "Fractional student" means:

(i) For common schools, a preschool child who is enrolled in a program for preschool children with disabilities of at least three hundred sixty minutes each week that meets at least two hundred sixteen hours over the minimum number of days or a kindergarten student who is at least five years of age before January 1 of the school year and enrolled in a school kindergarten program that meets at least three hundred fifty-six hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. Lunch periods and recess periods may not be included as part of the instructional hours unless the child's individualized education program requires instruction during those periods and the specific reasons for such instruction are fully documented. In computing the average daily membership, preschool children with disabilities and kindergarten students shall be counted as one-half of a full-time student. For common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined in this section. A part-time common school student shall be counted as one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled as defined in subdivision (b) of this paragraph.

(ii) For high schools, a part-time student who is enrolled in less than four subjects that count toward graduation as defined by the state board of education, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, in a recognized high school. The average daily membership of a part-time high school student shall be 0.75 if the student is enrolled in an instructional program of three subjects that meet at least five hundred forty hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. The average daily membership of a part-time high school student shall be 0.5 if the student is enrolled in an instructional program of two subjects that meet at least three hundred sixty hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. The average daily membership of a part-time high school student shall be 0.25 if the student is enrolled in an instructional program of one subject that meets at least one hundred eighty hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section.

(b) "Full-time student" means:

(i) For common schools, a student who is at least six years of age before January 1 of a school year, who has not graduated from the highest grade taught in the school district and who is regularly enrolled in a course of study required by the state board of education. First, second and third grade students or ungraded group B children with disabilities who are at least five, but under six, years of age by September 1 must be enrolled in an instructional program that meets for a total of at least seven hundred twelve hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. Fourth, fifth and sixth grade students must be enrolled in an instructional program that meets for a total of at least eight hundred ninety hours for a one hundred eighty-day school year, or the instructional hours prescribed in this section. Seventh and eighth grade students must be enrolled in an instructional program that meets for at least one thousand hours. Lunch periods and recess periods may not be included as part of the instructional hours unless the student is a child with a disability and the child's individualized education program requires instruction during those periods and the specific reasons for such instruction are fully documented.

(ii) For high schools, a student who has not graduated from the highest grade taught in the school district and who is enrolled in at least an instructional program of four or more subjects that count toward graduation as defined by the state board of education, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or

1 the equivalent, that meets for a total of at least seven hundred twenty
2 hours for a one hundred eighty-day school year, or the instructional hours
3 prescribed in this section in a recognized high school. A full-time
4 student shall not be counted more than once for computation of average
5 daily membership. The average daily membership of a full-time high school
6 student shall be 1.0 if the student is enrolled in at least four subjects
7 that meet at least seven hundred twenty hours for a one hundred eighty-day
8 school year, or the equivalent instructional hours prescribed in this
9 section.
10 (iii) If a child who has not reached five years of age before
11 September 1 of the current school year is admitted to kindergarten and
12 repeats kindergarten in the following school year, a school district or
13 charter school is not eligible to receive basic state aid on behalf of
14 that child during the child's second year of kindergarten. If a child who
15 has not reached five years of age before September 1 of the current school
16 year is admitted to kindergarten but does not remain enrolled, a school
17 district or charter school may receive a portion of basic state aid on
18 behalf of that child in the subsequent year. A school district or charter
19 school may charge tuition for any child who is ineligible for basic state
20 aid pursuant to this item.
21 (iv) Except as otherwise provided by law, for a full-time high
22 school student who is concurrently enrolled in two school districts or two
23 charter schools, the average daily membership shall not exceed 1.0.
24 (v) Except as otherwise provided by law, for any student who is
25 concurrently enrolled in a school district and a charter school, the
26 average daily membership shall be apportioned between the school district
27 and the charter school and shall not exceed 1.0. The apportionment shall
28 be based on the percentage of total time that the student is enrolled in
29 or in attendance at the school district and the charter school.
30 (vi) Except as otherwise provided by law, for any student who is
31 concurrently enrolled, pursuant to section 15-808, in a school district
32 and Arizona online instruction or a charter school and Arizona online
33 instruction, the average daily membership shall be apportioned between the
34 school district and Arizona online instruction or the charter school and
35 Arizona online instruction and shall not exceed 1.0. The apportionment
36 shall be based on the percentage of total time that the student is
37 enrolled in or in attendance at the school district and Arizona online
38 instruction or the charter school and Arizona online instruction.
39 (vii) For homebound or hospitalized, a student receiving at least
40 four hours of instruction per week.
41 2. "Budget year" means the fiscal year for which the school
42 district is budgeting and that immediately follows the current year.

3. "Common school district" means a political subdivision of this state offering instruction to students in programs for preschool children with disabilities and kindergarten programs and either:

(a) Grades one through eight.

(b) Grades one through nine pursuant to section 15-447.01.

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

5. "Daily attendance" means:

(a) For common schools, days in which a pupil:

(i) Of a kindergarten program or ungraded, but not group B children with disabilities, who is at least five, but under six, years of age by September 1 attends at least three-quarters of the instructional time scheduled for the day. If the total instruction time scheduled for the year is at least three hundred fifty-six hours but is less than seven hundred twelve hours, such attendance shall be counted as one-half day of attendance. If the instructional time scheduled for the year is at least six hundred ninety-two hours, "daily attendance" means days in which a pupil attends at least one-half of the instructional time scheduled for the day. Such attendance shall be counted as one-half day of attendance.

(ii) Of the first, second or third grades attends more than three-quarters of the instructional time scheduled for the day.

(iii) Of the fourth, fifth or sixth grades attends more than three-quarters of the instructional time scheduled for the day, except as provided in section 15-797.

(iv) Of the seventh or eighth grades attends more than three-quarters of the instructional time scheduled for the day, except as provided in section 15-797.

(b) For common schools, the attendance of a pupil at three-quarters or less of the instructional time scheduled for the day shall be counted as follows, except as provided in section 15-797 and except that attendance for a fractional student shall not exceed the pupil's fractional membership:

(i) If attendance for all pupils in the school is based on quarter days, the attendance of a pupil shall be counted as one-fourth of a day's attendance for each one-fourth of full-time instructional time attended.

(ii) If attendance for all pupils in the school is based on half days, the attendance of at least three-quarters of the instructional time scheduled for the day shall be counted as a full day's attendance and attendance at a minimum of one-half but less than three-quarters of the instructional time scheduled for the day equals one-half day of attendance.

(c) For common schools, the attendance of a preschool child with disabilities shall be counted as one-fourth day's attendance for each thirty-six minutes of attendance not including lunch periods and recess

periods, except as provided in paragraph 1, subdivision (a), item (i) of this subsection for children with disabilities up to a maximum of three hundred sixty minutes each week.

(d) For high schools, the attendance of a pupil shall not be counted as a full day unless the pupil is actually and physically in attendance and enrolled in and carrying four subjects, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, that count toward graduation in a recognized high school except as provided in section 15-797 and subdivision (e) of this paragraph. Attendance of a pupil carrying less than the load prescribed shall be prorated.

(e) For high schools, the attendance of a pupil may be counted as one-fourth of a day's attendance for each sixty minutes of instructional time in a subject that counts toward graduation, except that attendance for a pupil shall not exceed the pupil's full or fractional membership.

(f) For homebound or hospitalized, a full day of attendance may be counted for each day during a week in which the student receives at least four hours of instruction.

(g) For school districts that maintain school for an approved year-round school year operation, attendance shall be based on a computation, as prescribed by the superintendent of public instruction, of the one hundred eighty days' equivalency or two hundred days' equivalency, as applicable, of instructional time as approved by the superintendent of public instruction during which each pupil is enrolled.

6. "Daily route mileage" means the sum of:

(a) The total number of miles driven daily by all buses of a school district while transporting eligible students from their residence to the school of attendance and from the school of attendance to their residence on scheduled routes approved by the superintendent of public instruction.

(b) The total number of miles driven daily on routes approved by the superintendent of public instruction for which a private party, a political subdivision or a common or a contract carrier is reimbursed for bringing an eligible student from the place of the student's residence to a school transportation pickup point or to the school of attendance and from the school transportation scheduled return point or from the school of attendance to the student's residence. Daily route mileage includes the total number of miles necessary to drive to transport eligible students from and to their residence as provided in this paragraph.

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

8. "Eligible students" means:

(a) Students who are transported by or for a school district and who qualify as full-time students or fractional students, except students

for whom transportation is paid by another school district or a county school superintendent, and:

(i) For common school students, whose place of actual residence within the school district is more than one mile from the school facility of attendance or students who are admitted pursuant to section 15-816.01 and who meet the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1785) for free or reduced price lunches and whose actual place of residence outside the school district boundaries is more than one mile from the school facility of attendance.

(ii) For high school students, whose place of actual residence within the school district is more than one and one-half miles from the school facility of attendance or students who are admitted pursuant to section 15-816.01 and who meet the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1785) for free or reduced price lunches and whose actual place of residence outside the school district boundaries is more than one and one-half miles from the school facility of attendance.

(b) Kindergarten students, for purposes of computing the number of eligible students under subdivision (a), item (i) of this paragraph, shall be counted as full-time students, notwithstanding any other provision of law.

(c) Children with disabilities, as defined by section 15-761, who are transported by or for the school district or who are admitted pursuant to chapter 8, article 1.1 of this title and who qualify as full-time students or fractional students regardless of location or residence within the school district or children with disabilities whose transportation is required by the pupil's individualized education program.

(d) Students whose residence is outside the school district and who are transported within the school district on the same basis as students who reside in the school district.

9. "Enrolled" or "enrollment" means that a pupil is currently registered in the school district.

10. "GDP price deflator" means the average of the four implicit price deflators for the gross domestic product reported by the United States department of commerce for the four quarters of the calendar year.

11. "High school district" means a political subdivision of this state offering instruction to students for grades nine through twelve or that portion of the budget of a common school district that is allocated to teaching high school subjects with permission of the state board of education.

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

13. "Student count" means average daily membership as prescribed in this subsection for the fiscal year before the current year, except that for the purpose of budget preparation student count means average daily membership as prescribed in this subsection for the current year.

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

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

16. "Total students transported" means all eligible students transported from their place of residence to a school transportation pickup point or to the school of attendance and from the school of attendance or from the school transportation scheduled return point to their place of residence.

17. "Unified school district" means a political subdivision of this state offering instruction to students in programs for preschool children with disabilities and kindergarten programs and grades one through twelve.

B. In this title, unless the context otherwise requires:

1. "Base" means the revenue level per student count specified by the legislature.

2. "Base level" means the following amounts plus the percentage increases to the base level as provided in sections 15-902.04 and 15-952, except that if a school district or charter school is eligible for an increase in the base level as provided in two or more of these sections, the base level amount shall be calculated by compounding rather than adding the sum of one plus the percentage of the increase from those different sections:

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

(b) For fiscal year 2008-2009, three thousand two hundred ninety-one dollars forty-two cents.

(c) For fiscal years 2009-2010, 2010-2011, 2011-2012 and 2012-2013, three thousand two hundred sixty-seven dollars seventy-two cents.

(d) For fiscal year 2013-2014, three thousand three hundred twenty-six dollars fifty-four cents.

(e) For fiscal year 2014-2015, three thousand three hundred seventy-three dollars eleven cents.

(f) For fiscal year 2015-2016, three thousand six hundred dollars zero cents.

(g) For fiscal year 2016-2017, three thousand six hundred thirty-five dollars sixty-four cents.

(h) FOR FISCAL YEAR 2017-2018, THREE THOUSAND SIX HUNDRED EIGHTY-THREE DOLLARS TWENTY-SEVEN CENTS.

3. "Base revenue control limit" means the base revenue control limit computed as provided in section 15-944.

4. "Base support level" means the base support level as provided in section 15-943.

5. "Certified teacher" means a person who is certified as a teacher pursuant to the rules adopted by the state board of education, who renders direct and personal services to schoolchildren in the form of instruction related to the school district's educational course of study and who is paid from the maintenance and operation section of the budget.

6. "DD" means programs for children with developmental delays who are at least three years of age but under ten years of age. A preschool child who is categorized under this paragraph is not eligible to receive funding pursuant to section 15-943, paragraph 2, subdivision (b).

7. "ED, MIID, SLD, SLI and OHI" means programs for children with emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech/language impairment and other health impairments. A preschool child who is categorized as SLI under this paragraph is not eligible to receive funding pursuant to section 15-943, paragraph 2, subdivision (b).

8. "ED-P" means programs for children with emotional disabilities who are enrolled in private special education programs as prescribed in section 15-765, subsection D, paragraph 1 or in an intensive school district program as provided in section 15-765, subsection D, paragraph 2.

9. "ELL" means English learners who do not speak English or whose native language is not English, who are not currently able to perform ordinary classroom work in English and who are enrolled in an English language education program pursuant to sections 15-751, 15-752 and 15-753.

10. "Full-time equivalent certified teacher" or "FTE certified teacher" means for a certified teacher the following:

(a) If employed full time as defined in section 15-501, 1.00.

(b) If employed less than full time, multiply 1.00 by the percentage of a full school day, or its equivalent, or a full class load, or its equivalent, for which the teacher is employed as determined by the governing board.

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

12. "Group B" means educational improvements for pupils in kindergarten programs and grades one through three, educational programs for autism, a hearing impairment, a moderate intellectual disability, multiple disabilities, multiple disabilities with severe sensory impairment, orthopedic impairments, preschool severe delay, a severe intellectual disability and emotional disabilities for school age pupils enrolled in private special education programs or in school district

programs for children with severe disabilities or visual impairment and English learners enrolled in a program to promote English language proficiency pursuant to section 15-752.

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

14. "Homebound" or "hospitalized" means a pupil who is capable of profiting from academic instruction but is unable to attend school due to illness, disease, accident or other health conditions, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for a period of not less than three school months or a pupil who is capable of profiting from academic instruction but is unable to attend school regularly due to chronic or acute health problems, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for intermittent periods of time totaling three school months during a school year. The medical certification shall state the general medical condition, such as illness, disease or chronic health condition, that is the reason that the pupil is unable to attend school. Homebound or hospitalized includes a student who is unable to attend school for a period of less than three months due to a pregnancy if a competent medical doctor, after an examination, certifies that the student is unable to attend regular classes due to risk to the pregnancy or to the student's health.

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

16. "K-3 reading" means reading programs for pupils in kindergarten programs and grades one, two and three.

17. "MD-R, A-R and SID-R" means resource programs for pupils with multiple disabilities, autism and severe intellectual disability.

18. "MD-SC, A-SC and SID-SC" means self-contained programs for pupils with multiple disabilities, autism and severe intellectual disability.

19. "MD-SSI" means a program for pupils with multiple disabilities with severe sensory impairment.

20. "MOID" means programs for pupils with moderate intellectual disability.

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

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

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

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

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

26. "Small isolated school district" means a school district that meets all of the following:

(a) Has a student count of fewer than six hundred in kindergarten programs and grades one through eight or grades nine through twelve.

(b) Contains no school that is fewer than thirty miles by the most reasonable route from another school, or, if road conditions and terrain make the driving slow or hazardous, fifteen miles from another school that teaches one or more of the same grades and is operated by another school district in this state.

(c) Is designated as a small isolated school district by the superintendent of public instruction.

27. "Small school district" means a school district that meets all of the following:

(a) Has a student count of fewer than six hundred in kindergarten programs and grades one through eight or grades nine through twelve.

(b) Contains at least one school that is fewer than thirty miles by the most reasonable route from another school that teaches one or more of the same grades and is operated by another school district in this state.

(c) Is designated as a small school district by the superintendent of public instruction.

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

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

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

Sec. 5. Section 15-945, Arizona Revised Statutes, is amended to read:

15-945. <u>Transportation support level</u>

A. The support level for to and from school for each school district for the current year shall be computed as follows:

1. Determine the approved daily route mileage of the school district for the fiscal year prior to the current year.

2. Multiply the figure obtained in paragraph 1 of this subsection by one hundred eighty, or for a school district that elects to provide two hundred days of instruction pursuant to section 15-902.04, multiply the figure obtained in paragraph 1 of this subsection by two hundred.

3. Determine the number of eligible students transported in the fiscal year prior to the current year.

4. Divide the amount determined in paragraph 1 of this subsection by the amount determined in paragraph 3 of this subsection to determine the approved daily route mileage per eligible student transported.

5. Determine the classification in column 1 of this paragraph for the quotient determined in paragraph 4 of this subsection. Multiply the product obtained in paragraph 2 of this subsection by the corresponding state support level for each route mile as provided in column 2 of this paragraph.

Column 1 Approved Daily Route Mileage per Eligible Student Transported	Column 2 State Support Level per Route Mile for Fiscal Year ~~2016-2017~~ 2017-2018
0.5 or less	~~2.56~~ 2.59
More than 0.5 through 1.0	~~2.09~~ 2.12
More than 1.0	~~2.56~~ 2.59

6. Add the amount spent during the prior fiscal year for bus tokens and bus passes for students who qualify as eligible students as defined in section 15-901.

B. The support level for academic education, career and technical education, vocational education and athletic trips for each school district for the current year is computed as follows:

1. Determine the classification in column 1 of paragraph 2 of this subsection for the quotient determined in subsection A, paragraph 4 of this section.

2. Multiply the product obtained in subsection A, paragraph 5 of this section by the corresponding state support level for academic education, career and technical education, vocational education and athletic trips as provided in column 2, 3 or 4 of this paragraph, whichever is appropriate for the type of district.

Column 1 Approved Daily Route Mileage per Eligible Student Transported	Column 2 District Type 02 or 03	Column 3 District Type 04	Column 4 District Type 05
0.5 or less	0.15	0.10	0.25
More than 0.5 through 1.0	0.15	0.10	0.25
More than 1.0	0.18	0.12	0.30

For the purposes of this paragraph, "district type 02" means a unified school district or an accommodation school that offers instruction in grades nine through twelve, "district type 03" means a common school district not within a high school district, "district type 04" means a common school district within a high school district or an accommodation school that does not offer instruction in grades nine through twelve and "district type 05" means a high school district.

C. The support level for extended school year services for pupils with disabilities is computed as follows:

1. Determine the sum of the following:

(a) The total number of miles driven by all buses of a school district while transporting eligible pupils with disabilities on scheduled routes from their residence to the school of attendance and from the school of attendance to their residence on routes for extended school year services in accordance with section 15-881.

(b) The total number of miles driven on routes approved by the superintendent of public instruction for which a private party, a political subdivision or a common or a contract carrier is reimbursed for bringing an eligible pupil with a disability from the place of the pupil's residence to a school transportation pickup point or to the school facility of attendance and from the school transportation scheduled return point or from the school facility to the pupil's residence for extended school year services in accordance with section 15-881.

2. Multiply the sum determined in paragraph 1 of this subsection by the state support level for the district determined as provided in subsection A, paragraph 5 of this section.

D. The transportation support level for each school district for the current year is the sum of the support level for to and from school as determined in subsection A of this section, the support level for academic education, career and technical education, vocational education and athletic trips as determined in subsection B of this section and the support level for extended school year services for pupils with disabilities as determined in subsection C of this section.

E. The state support level for each approved route mile, as provided in subsection A, paragraph 5 of this section, shall be adjusted by the growth rate prescribed by law, subject to appropriation.

F. School districts must provide the odometer reading for each bus as of the end of the current year and the total bus mileage during the current year.

Sec. 6. Section 15-2002, Arizona Revised Statutes, is amended to read:

15-2002. <u>Powers and duties; executive director; staffing; report</u>

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~~ FIVE months ~~of~~ AFTER 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

1 section 15-2041 for the following three fiscal years. The board shall
2 provide copies of the report to the president of the senate, the speaker
3 of the house of representatives and the governor.
4 11. Adopt minimum school facility adequacy guidelines to provide
5 the minimum quality and quantity of school buildings and the facilities
6 and equipment necessary and appropriate to enable pupils to achieve the
7 educational goals of the Arizona state schools for the deaf and the blind.
8 The school facilities board shall establish minimum school facility
9 adequacy guidelines applicable to the Arizona state schools for the deaf
10 and the blind.
11 12. In each even-numbered year, report electronically to the joint
12 committee on capital review the amounts necessary to fulfill the
13 requirements of section 15-2041 for the Arizona state schools for the deaf
14 and the blind for the following two fiscal years. The Arizona state
15 schools for the deaf and the blind shall incorporate the findings of the
16 report in any request for new school facilities monies. Any monies
17 provided to the Arizona state schools for the deaf and the blind for new
18 school facilities are subject to legislative appropriation.
19 13. On or before June 15 of each year, submit electronically
20 detailed information regarding demographic assumptions, a proposed
21 construction schedule and new school construction cost estimates for
22 individual projects approved in the current fiscal year and expected
23 project approvals for the upcoming fiscal year to the joint committee on
24 capital review for its review. A copy of the report shall also be
25 submitted electronically to the governor's office of strategic planning
26 and budgeting. The joint legislative budget committee staff, the
27 governor's office of strategic planning and budgeting staff and the school
28 facilities board staff shall agree on the format of the report.
29 14. Every two years, provide school districts with information on
30 improving and maintaining the indoor environmental quality in school
31 buildings.
32 15. On or before December 31 of each year, report to the joint
33 legislative budget committee on all class B bond approvals by school
34 districts in that year. Each school district shall report to the school
35 facilities board on or before December 1 of each year information required
36 by the school facilities board for the report prescribed in this
37 paragraph.
38 16. Validate proposed adjacent ways projects submitted by school
39 districts as prescribed in section 15-995.
40 B. The school facilities board may contract for the following
41 services in compliance with the procurement practices prescribed in title
42 41, chapter 23:
43 1. Private services.
44 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.

Sec. 7. Section 15-2011, Arizona Revised Statutes, is amended to read:

15-2011. Minimum school facility adequacy requirements; definition

A. The school facilities board, as determined and prescribed in this chapter, shall provide funding to school districts for new construction as the number of pupils in the district fills the existing school facilities and requires more pupil space.

B. School buildings in a school district are adequate if all of the following requirements are met:

1. The buildings contain sufficient and appropriate space and equipment that comply with the minimum school facility adequacy guidelines established pursuant to subsection F of this section. The state shall not fund facilities for elective courses that require the school district facilities to exceed minimum school facility adequacy requirements. The school facilities board shall determine whether a school building meets the requirements of this paragraph by analyzing the total square footage that is available for each pupil in conjunction with the need for specialized spaces and equipment.

2. The buildings are in compliance with federal, state and local building and fire codes and laws that are applicable to the particular building, except that a school with an aggregate area of less than five thousand square feet is subject to permitting and inspection by a local fire marshal and is only subject to regulation or inspection by the state fire marshal if the county, city or town in which the school is located does not employ a local fire marshal. An existing school building is not required to comply with current requirements for new buildings unless this compliance is specifically mandated by law or by the building or fire code of the jurisdiction where the building is located.

3. The building systems, including roofs, plumbing, telephone systems, electrical systems, heating systems and cooling systems, are in working order and are capable of being properly maintained.

4. The buildings are structurally sound.

C. The standards that shall be used by the school facilities board to determine whether a school building meets the minimum adequate gross square footage requirements are as follows:

1. For a school district that provides instruction to pupils in programs for preschool children with disabilities, kindergarten programs and grades one through six, eighty square feet per pupil in programs for preschool children with disabilities, kindergarten programs and grades one through six.

2. For a school district that provides instruction to up to eight hundred pupils in grades seven and eight, eighty-four square feet per pupil in grades seven and eight.

3. For a school district that provides instruction to more than eight hundred pupils in grades seven and eight, eighty square feet per pupil in grades seven and eight or sixty-seven thousand two hundred square feet, whichever is more.

4. For a school district that provides instruction to up to four hundred pupils in grades nine through twelve, one hundred twenty-five square feet per pupil in grades nine through twelve.

5. For a school district that provides instruction to more than four hundred and up to one thousand pupils in grades nine through twelve, one hundred twenty square feet per pupil in grades nine through twelve or fifty thousand square feet, whichever is more.

6. For a school district that provides instruction to more than one thousand and up to one thousand eight hundred pupils in grades nine through twelve, one hundred twelve square feet per pupil in grades nine through twelve or one hundred twenty thousand square feet, whichever is more.

7. For a school district that provides instruction to more than one thousand eight hundred pupils in grades nine through twelve, ninety-four square feet per pupil in grades nine through twelve or two hundred one thousand six hundred square feet, whichever is more.

D. The school facilities board may modify the square footage requirements prescribed in subsection C of this section or modify the amount of monies awarded to cure the square footage deficiency pursuant to this section for particular school districts based on extraordinary circumstances for any of the following considerations:

1. The number of pupils served by the school district.

2. Geographic factors.

3. Grade configurations other than those prescribed in subsection C of this section.

E. In measuring the square footage per pupil requirements of subsection C of this section, the school facilities board shall:

1. Use the most recent ~~one hundredth~~ FORTIETH day average daily membership.

2. For each school, use the lesser of either:

(a) Total gross square footage.

(b) Student capacity multiplied by the appropriate square footage per pupil prescribed by subsection C of this section.

3. Consider the total space available in all schools in use in the school district, except that the school facilities board shall allow an exclusion of the square footage for certain schools and the pupils within the schools' boundaries if the school district demonstrates to the board's

satisfaction unusual or excessive busing of pupils or unusual attendance boundary changes between schools.

4. Compute the gross square footage of all buildings by measuring from exterior wall to exterior wall. Square footage used solely for district administration, storage of vehicles and other nonacademic purposes shall be excluded from the net square footage.

5. Include all portable and modular buildings.

6. Include in the net square footage new construction funded wholly or partially by the school facilities board based on the square footage funded by the school facilities board. If the new construction is to exceed the square footage funded by the school facilities board, the excess square footage shall not be included in the net square footage if any of the following applies:

(a) The excess square footage was constructed before July 1, 2002 or funded by a class B bond, impact aid revenue bond or capital outlay override approved by the voters after August 1, 1998 and before June 30, 2002 or funded from unrestricted capital outlay expended before June 30, 2002.

(b) The excess square footage of new school facilities does not exceed twenty-five percent of the minimum square footage requirements pursuant to subsection C of this section.

(c) The excess square footage of expansions to school facilities does not exceed twenty-five percent of the minimum square footage requirements pursuant to subsection C of this section.

7. Exclude square footage built under a developer agreement according to section 15-342, paragraph 33 until the school facilities board provides funding for the square footage under section 15-2041, subsection O.

8. Include square footage that a school district has leased to another entity.

F. The school facilities board shall adopt rules establishing minimum school facility adequacy guidelines. The guidelines shall provide the minimum quality and quantity of school buildings and facilities and equipment necessary and appropriate to enable pupils to achieve the academic standards pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01. At a minimum, the school facilities board shall address all of the following in developing these guidelines:

1. School sites.
2. Classrooms.
3. Libraries and media centers, or both.
4. Cafeterias.
5. Auditoriums, multipurpose rooms or other multiuse space.
6. Technology.

7. Transportation.

8. Facilities for science, arts and physical education.

9. Other facilities and equipment that are necessary and appropriate to achieve the academic standards prescribed pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.

10. Appropriate combinations of facilities or uses listed in this section.

G. The board shall consider the facilities and equipment of the schools with the highest academic productivity scores, as prescribed in section 15-2002, subsection A, paragraph 9, subdivision (d), and the highest parent quality ratings in the establishment of the guidelines.

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

I. For the purposes of this section, "student capacity" means the capacity adjusted to include any additions to or deletions of space, including modular or portable buildings at the school. The school facilities board shall determine the student capacity for each school in conjunction with each school district, recognizing each school's allocation of space as of July 1, 1998, to achieve the academic standards prescribed pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.

Sec. 8. Section 15-2041, Arizona Revised Statutes, is amended to read:

15-2041. New school facilities fund; capital plan; report

A. ~~A~~ THE new school facilities fund is established consisting of monies appropriated by the legislature and monies credited to the fund pursuant to section 37-221. The school facilities board shall administer the fund and distribute monies, as a continuing appropriation, to school districts for the purpose of constructing new school facilities and for contracted expenses pursuant to section 15-2002, subsection B, paragraphs 2, 3 and 4. On June 30 of each fiscal year, any unobligated contract monies in the new school facilities fund shall be transferred to the capital reserve fund established by section 15-2003.

B. The school facilities board shall prescribe a uniform format for use by the school district governing board in developing and annually updating a capital plan that consists of each of the following:

1. Enrollment projections for the next five years for elementary schools and eight years for middle and high schools, including a description of the methods used to make the projections.

2. A description of new schools or additions to existing schools needed to meet the building adequacy standards prescribed in section 15-2011. The description shall include:

(a) The grade levels and the total number of pupils that the school or addition is intended to serve.

(b) The year in which it is necessary for the school or addition to begin operations.

(c) A timeline that shows the planning and construction process for the school or addition.

3. Long-term projections of the need for land for new schools.

4. Any other necessary information required by the school facilities board to evaluate a school district's capital plan.

5. If a school district pays tuition for all or a portion of the school district's high school pupils to another school district, the capital plan shall indicate the number of pupils for which the district pays tuition to another district. If a school district accepts pupils from another school district pursuant to section 15-824, subsection A, the school district shall indicate the projections for this population separately. This paragraph does not apply to a small isolated school district as defined in section 15-901.

C. If the capital plan indicates a need for a new school or an addition to an existing school within the next four years or a need for land within the next ten years, the school district shall submit its plan to the school facilities board by ~~September~~ JULY 1 and shall request monies from the new school facilities fund for the new construction or land. The school facilities board may require a school district to sell land that was previously purchased entirely with monies provided by the school facilities board if the school facilities board determines that the property is no longer needed within the ten-year period specified in this subsection for a new school or no longer needed within that ten-year period for an addition to an existing school. Monies provided for land shall be in addition to any monies provided pursuant to subsection D of this section.

D. The school facilities board shall distribute monies from the new school facilities fund as follows:

1. The school facilities board shall review and evaluate the enrollment projections. On or before ~~March~~ DECEMBER 1, following the submission of the enrollment projections, the school facilities board shall either approve the projections as submitted or revise the projections. In approving or revising the enrollment projections, the school facilities board shall use the most recent FORTIETH DAY average daily membership data available DURING THE CURRENT SCHOOL YEAR. On request from the school facilities board, the department of education shall make available the most recent average daily membership data for use

in revising the enrollment projections. In determining new construction requirements, the school facilities board shall determine the net new growth of pupils that will require additional square footage that exceeds the building adequacy standards prescribed in section 15-2011. If the projected growth and the existing number of pupils exceed three hundred fifty pupils who are served in a school district other than the pupil's resident school district, the school facilities board, the receiving school district and the resident school district shall develop a capital facilities plan on how to best serve those pupils. A small isolated school district as defined in section 15-901 is not required to develop a capital facilities plan pursuant to this paragraph.

2. If the ~~approved projections indicate~~ MOST RECENT FORTIETH DAY AVERAGE DAILY MEMBERSHIP DURING THE CURRENT SCHOOL YEAR INDICATES that additional space would not have been needed during the current school year in order to meet the building adequacy standards prescribed in section 15-2011, the request shall be held for consideration by the school facilities board for possible future funding and the school district shall annually submit an updated plan until the additional space is needed.

3. If the ~~approved projections indicate~~ MOST RECENT FORTIETH DAY AVERAGE DAILY MEMBERSHIP DURING THE CURRENT SCHOOL YEAR INDICATES that additional space would have been needed during the current school year in order to meet the building adequacy standards prescribed in section 15-2011, the school facilities board shall provide an amount as follows:

(a) Determine the number of pupils requiring additional square footage to meet building adequacy standards. This amount for elementary schools shall not be less than the number of new pupils for whom space will be needed in the next year and shall not exceed the number of new pupils for whom space will be needed in the next five years. This amount for middle and high schools shall not be less than the number of new pupils for whom space will be needed in the next four years and shall not exceed the number of new pupils for whom space will be needed in the next eight years.

(b) Multiply the number of pupils determined in subdivision (a) of this paragraph by the square footage per pupil. The square footage per pupil is ninety square feet per pupil for preschool children with disabilities, kindergarten programs and grades one through six, one hundred square feet for grades seven and eight, one hundred thirty-four square feet for a school district that provides instruction in grades nine through twelve for fewer than one thousand eight hundred pupils and one hundred twenty-five square feet for a school district that provides instruction in grades nine through twelve for at least one thousand eight hundred pupils. The total number of pupils in grades nine through twelve in the district shall determine the square footage factor to use for net new pupils. The school facilities board may modify the square footage

requirements prescribed in this subdivision for particular schools based on any of the following factors:

(i) The number of pupils served or projected to be served by the school district.

(ii) Geographic factors.

(iii) Grade configurations other than those prescribed in this subdivision.

(iv) Compliance with minimum school facility adequacy requirements established pursuant to section 15-2011.

(c) Multiply the product obtained in subdivision (b) of this paragraph by the cost per square foot. The cost per square foot is ninety dollars for preschool children with disabilities, kindergarten programs and grades one through six, ninety-five dollars for grades seven and eight and one hundred ten dollars for grades nine through twelve. The cost per square foot shall be adjusted annually for construction market considerations based on an index identified or developed by the joint legislative budget committee as necessary but not less than once each year. The school facilities board shall multiply the cost per square foot by 1.05 for any school district located in a rural area. The school facilities board may only modify the base cost per square foot prescribed in this subdivision for particular schools based on geographic conditions or site conditions. For the purposes of this subdivision, "rural area" means an area outside a thirty-five-mile radius of a boundary of a municipality with a population of more than fifty thousand persons.

(d) Once the school district governing board obtains approval from the school facilities board for new facility construction monies, additional portable or modular square footage created for the express purpose of providing temporary space for pupils until the completion of the new facility shall not be included by the school facilities board for the purpose of new construction funding calculations. On completion of the new facility construction project, if the portable or modular facilities continue in use, the portable or modular facilities shall be included as prescribed by this chapter, unless the school facilities board approves their continued use for the purpose of providing temporary space for pupils until the completion of the next new facility that has been approved for funding from the new school facilities fund.

4. For projects approved after December 31, 2001, and notwithstanding paragraph 3 of this subsection, a unified school district that does not have a high school is not eligible to receive high school space as prescribed by section 15-2011 and this section unless the unified district qualifies for geographic factors prescribed by paragraph 3, subdivision (b), item (ii) of this subsection.

5. If a joint technical education district leases a building from a school district, that building shall be included in the school district's

square footage calculation for the purposes of new construction pursuant to this section.

6. If a school district leases a building to another entity, that building shall be included in the school district's square footage calculation for purposes of new construction pursuant to this section.

7. A school district shall qualify for monies from the new school facilities fund in a fiscal year only if the school facilities board has approved or revised its enrollment projection under paragraph 3 of this subsection on or before March 1 of the prior fiscal year.

E. Monies for architectural and engineering fees, project management services and preconstruction services shall be distributed on the completion of the analysis by the school facilities board of the school district's request. After receiving monies pursuant to this subsection, the school district shall submit a design development plan for the school or addition to the school facilities board before any monies for construction are distributed. If the school district's request meets the building adequacy standards, the school facilities board may review and comment on the district's plan with respect to the efficiency and effectiveness of the plan in meeting state square footage and facility standards before distributing the remainder of the monies. If the school facilities board modifies the cost per square foot as prescribed in subsection D, paragraph 3, subdivision (c) of this section, the school facilities board may deduct the cost of project management services and preconstruction services from the required cost per square foot. The school facilities board may decline to fund the project if the square footage is no longer required due to revised enrollment projections.

F. The school facilities board shall distribute the monies needed for land for new schools so that land may be purchased at a price that is less than or equal to fair market value and in advance of the construction of the new school. If necessary, the school facilities board may distribute monies for land to be leased for new schools if the duration of the lease exceeds the life expectancy of the school facility by at least fifty percent. A school district shall not use land purchased or partially purchased with monies provided by the school facilities board for a purpose other than a site for a school facility without obtaining prior written approval from the school facilities board. A school district shall not lease, sell or take any action that would diminish the value of land purchased or partially purchased with monies provided by the school facilities board without obtaining prior written approval from the school facilities board. The proceeds derived through the sale of any land purchased or partially purchased, or the sale of buildings funded or partially funded, with monies provided by the school facilities board shall be returned to the state fund from which it was appropriated and to any other participating entity on a proportional basis. Except as

provided in section 15-342, paragraph 33, if a school district acquires real property by donation at an appropriate school site approved by the school facilities board, the school facilities board shall distribute an amount equal to twenty percent of the fair market value of the donated real property 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 monies placed in the fund. Monies distributed under this subsection shall be distributed from the new school facilities fund. A school district that receives monies from the new school facilities fund for a donation of land pursuant to section 15-342, paragraph 33 shall not receive monies from the school facilities board for the donation of real property pursuant to this subsection. A school district shall not pay a consultant a percentage of the value of any of the following:

1. Donations of real property, services or cash from any of the following:

(a) Entities that have offered to provide construction services to the school district.

(b) Entities that have been contracted to provide construction services to the school district.

(c) Entities that build residential units in that school district.

(d) Entities that develop land for residential use in that school district.

2. Monies received from the school facilities board on behalf of the school district.

3. Monies paid by the school facilities board on behalf of the school district.

G. In addition to distributions to school districts based on pupil growth projections, a school district may submit an application to the school facilities board for monies from the new school facilities fund if one or more school buildings have outlived their useful life. If the school facilities board determines that the school district needs to build a new school building for these reasons, the school facilities board shall remove the square footage computations that represent the building from the computation of the school district's total square footage for purposes of this section. If the square footage recomputation reflects that the school district no longer meets building adequacy standards, the school district qualifies for a distribution of monies from the new school construction formula in an amount determined pursuant to subsection D of this section. The school facilities board may only modify the base cost per square foot prescribed in this subsection under extraordinary circumstances for geographic factors or site conditions.

H. School districts that receive monies from the new school facilities fund shall establish a district new school facilities fund and

shall use the monies in the district new school facilities fund only for the purposes prescribed in this section. By October 15 of each year, each school district shall report to the school facilities board the projects funded at each school in the previous fiscal year with monies from the district new school facilities fund and shall provide an accounting of the monies remaining in the new school facilities fund at the end of the previous fiscal year.

I. If a school district has surplus monies received from the new school facilities fund, the school district may use the surplus monies only for capital purposes for the project for up to one year after completion of the project. If the school district possesses surplus monies from the new school construction project that have not been expended within one year of the completion of the project, the school district shall return the surplus monies to the school facilities board for deposit in the new school facilities fund.

J. The board's consideration of any application filed 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 shall include, if after notice is transmitted to the military airport pursuant to section 15-2002 and before the public hearing the military airport provides comments and an analysis concerning compatibility of the proposed school facilities with the high noise or accident potential generated by military airport or ancillary military facility operations that may have an adverse effect on public health and safety, consideration and analysis of the comments and analysis provided by the military airport before making a final determination.

K. If a school district uses its own project manager for new school construction, the members of the school district governing board and the project manager shall sign an affidavit stating that the members and the project manager understand and will follow the minimum adequacy requirements prescribed in section 15-2011.

L. The school facilities board shall establish a separate account in the new school facilities fund designated as the litigation account to pay attorney fees, expert witness fees and other costs associated with litigation in which the school facilities board pursues the recovery of damages for deficiencies correction that resulted from alleged construction defects or design defects that the school facilities board believes caused or contributed to a failure of the school building to conform to the building adequacy requirements prescribed in section 15-2011. Attorney fees paid pursuant to this subsection shall not exceed the market rate for similar types of litigation. On or before December 1

of each year, the school facilities board shall report to the joint committee on capital review the costs associated with current and potential litigation that may be paid from the litigation account.

M. Until the state board of education and the auditor general adopt rules pursuant to section 15-213, subsection I, the school facilities board may allow school districts to contract for construction services and materials through the qualified select bidders list method of project delivery for new school facilities pursuant to this section.

N. The school facilities board shall submit electronically a report on project management services and preconstruction services to the governor, the president of the senate and the speaker of the house of representatives by December 31 of each year. The report shall compare projects that use project management and preconstruction services with those that do not. The report shall address cost, schedule and other measurable components of a construction project. School districts, construction manager at risk firms and project management firms that participate in a school facilities board funded project shall provide the information required by the school facilities board in relation to this report.

O. If a school district constructs new square footage according to section 15-342, paragraph 33, the school facilities board shall review the design plans and location of any new school facility submitted by school districts and another party to determine whether the design plans comply with the adequacy standards prescribed in section 15-2011 and the square footage per pupil requirements pursuant to subsection D, paragraph 3, subdivision (b) of this section. When the school district qualifies for a distribution of monies from the new school facilities fund according to this section, the school facilities board shall distribute monies to the school district from the new school facilities fund for the square footage constructed under section 15-342, paragraph 33 at the same cost per square foot established by this section that was in effect at the time of the beginning of the construction of the school facility. 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 this section meet the minimum adequacy standards prescribed in section 15-2011. The agreement entered into pursuant to section 15-342, paragraph 33 shall set forth the procedures for the allocation of these funds to the parties that participated in the agreement.

P. Accommodation schools are not eligible for monies from the new school facilities fund.

Sec. 9. Pilot program on school emergency readiness; report; delayed repeal

A. The $3,646,500 state general fund appropriation to the department of education for the school safety program for fiscal year 2017-2018 in the general appropriations act includes $100,000 for a pilot program on school emergency readiness.

B. On or before September 30, 2017, school districts that wish to participate in the pilot program shall submit applications to the department of education.

C. On or before November 30, 2017, the department of education shall select three school districts to participate in the pilot program. The selected school districts shall collectively consist of not more than thirty-one individual school sites and shall include:

1. One school district that is located in a county with a population of eight hundred thousand persons or more according to the 2010 United States decennial census.

2. One school district that is located in a county with a population of one hundred thousand persons or more but less than eight hundred thousand persons according to the 2010 United States decennial census.

3. One school district that is located in a county with a population of less than one hundred thousand persons according to the 2010 United States decennial census.

D. School districts that are selected to participate in the pilot program shall be provided and use a readiness and emergency management program that incorporates the following:

1. Education-specific emergency management software. All plans and critical emergency readiness information, including contacts, floor plans and critical equipment photos and locations, shall be accessible online and off-line via mobile device applications. The software used in the pilot program shall comply with the national emergency management information system adopted by the federal emergency management agency.

2. The training of teachers and administrators in the readiness and emergency management program.

3. The development, implementation and maintenance of a comprehensive crisis plan for participating school districts and the districts' teachers and administrators.

E. On or before November 1, 2018, the department of education shall submit to the governor, the president of the senate and the speaker of the house of representatives a report that summarizes the results of the pilot program. The department of education shall provide a copy of the report to the secretary of state.

F. This section is repealed from and after December 31, 2018.

Sec. 10. District additional assistance for school districts; reduction for fiscal year 2017-2018; classroom spending

A. For fiscal year 2017-2018, the department of education shall reduce by $352,442,700 the amount of basic state aid that otherwise would be apportioned to school districts statewide for fiscal year 2017-2018 for district additional assistance prescribed in section 15-961, Arizona Revised Statutes, and shall reduce school district budget limits accordingly.

B. For fiscal year 2017-2018, the department of education shall reduce district additional assistance for a school district that is not eligible to receive basic state aid funding for fiscal year 2017-2018 by the amount that the school district's district additional assistance would be reduced pursuant to subsection A of this section if the school district were eligible to receive basic state aid funding for fiscal year 2017-2018 and shall reduce the school district's budget limits accordingly.

C. It is the intent of the governor and the legislature that school districts increase the total percentage of classroom spending over the previous year's percentages in the combined categories of instruction, student support and instructional support as prescribed by the auditor general.

Sec. 11. Additional assistance funding for charter schools; reduction for fiscal year 2017-2018

The department of education shall reduce by $18,656,000 the amount of charter additional assistance funding that otherwise would be apportioned to charter schools statewide for fiscal year 2017-2018 pursuant to section 15-185, subsection B, paragraph 4, Arizona Revised Statutes, as amended by this act. The funding reduction required under this section shall be made on a proportional basis based on the charter additional assistance funding that each charter school in this state would have received for fiscal year 2017-2018 without the prescribed reduction.

Sec. 12. K-12 formula reductions; small districts; maximum

Notwithstanding any other law, the sum of district additional assistance reductions in fiscal year 2017-2018 for school districts with a student count of fewer than 1,100 pupils may not exceed $5,000,000.

Sec. 13. Joint technical education district equalization funding; fiscal year 2017-2018

Notwithstanding section 15-393, Arizona Revised Statutes, or any other law, the department of education shall fund state aid for a joint technical education district with a student count of more than two thousand students for fiscal year 2017-2018 at ninety-five and one-half percent of the amount that otherwise would be provided by law and shall reduce the district's budget limits accordingly. The state aid reduction required for a joint technical education district under this section shall

be computed as if the base support level portion of the district's equalization formula funding for fiscal year 2017-2018 were based on the district's prior-year rather than current-year average daily membership.

Sec. 14. Schools facilities board; building renewal grants; consultant services; lead in school water systems program

Notwithstanding section 15-2032, Arizona Revised Statutes, the school facilities board may use up to $200,000 from the building renewal grant fund established by section 15-2032, Arizona Revised Statutes, for consultant services for programs associated with lead in school water systems in fiscal year 2017-2018.

Sec. 15. Liabilities in excess; exception; fiscal year 2017-2018

A. Notwithstanding section 15-907, Arizona Revised Statutes, a school district in a county that has a population of less than ten thousand persons according to the 2010 United States decennial census and that had more than three hundred but less than four hundred total attending average daily membership pupils in fiscal year 2015-2016 according to the annual report of the superintendent of public instruction for fiscal year 2015-2016 may incur liabilities in excess of the school district budget of up to seven hundred thousand dollars in fiscal year 2017-2018 without first applying to the school facilities board for funding from the emergency deficiencies correction fund pursuant to section 15-2022, Arizona Revised Statutes, without first petitioning the county school superintendent or county board of supervisors and without need of approval from the county board of supervisors.

B. Funding authorized pursuant to subsection A of this section shall be used only for critical infrastructure repairs and for the purchase or repair of pupil transportation vehicles.

Sec. 16. General budget limit increase; minimum qualifying tax rate district; fiscal year 2017-2018

The general budget limit for a school district that in fiscal year 2016-2017 was subject to the additional tax in districts ineligible for equalization assistance pursuant to section 15-992, Arizona Revised Statutes, and that in fiscal year 2015-2016 had a total attending average daily membership count of at least five thousand pupils according to the annual report of the superintendent of public instruction for fiscal year 2015-2016 shall be increased by $1,500,000 in fiscal year 2017-2018 above the amounts that otherwise would be computed pursuant to section 15-947, Arizona Revised Statutes.

Sec. 17. Pilot program for nationally recognized college-readiness examinations; reporting requirements; delayed repeal

A. The commission for postsecondary education shall establish a one-year pilot program for school districts and charter schools to receive grants to administer nationally recognized college-readiness examinations for the 2017-2018 school year to students in grade eleven. A nationally recognized college-readiness examination shall include tests in English, reading, mathematics and science. The commission for postsecondary education shall establish application procedures on a first-come, first-served basis for school districts and charter schools to apply for grants to pay for a nationally recognized college-readiness examination. School districts and charter schools that receive designated monies from any other source, including a nonprofit organization, for the 2017-2018 school year to provide nationally recognized college-readiness examinations are not eligible to participate in the pilot program. School districts and charter schools that participate in the pilot program shall report to the commission for postsecondary education the number of students who took a college-readiness examination, the name of the college-readiness examination and the aggregate achievement of students who took the college-readiness examination. Any student achievement data reported may not violate students' personal privacy and shall be in accordance with the family educational rights and privacy act of 1974 (20 United States Code section 1232g).

B. A school district or charter school that participates in the pilot program shall notify parents of the opportunity for students in grade eleven to take a college-readiness examination free of charge and the requirements for participating. A student is not required to take a college-readiness examination.

C. The commission for postsecondary education shall submit a report on or before November 30, 2018 to the governor, the president of the senate and the speaker of the house of representatives that summarizes the results of the pilot program, including the number and amounts of grants distributed to school districts and charter schools, the number of students who took a college-readiness examination, the name of the college-readiness examination and the aggregate achievement of students who took the college-readiness examination. Any student achievement data reported may not violate students' personal privacy and shall be in accordance with the family educational rights and privacy act of 1974 (20 United States Code section 1232g). The commission shall provide a copy of this report to the secretary of state.

D. This section is repealed from and after December 31, 2018.

Sec. 18. Appropriation; commission for postsecondary education; college-readiness examinations pilot program; fiscal year 2017-2018

In addition to any other appropriations made to the commission for postsecondary education for fiscal year 2017-2018, the sum of $235,000 is appropriated from the state general fund in fiscal year 2017-2018 to the commission for postsecondary education for the pilot program for nationally recognized college-readiness examination.

Sec. 19. Retroactivity

Section 15-2041, subsection C, Arizona Revised Statutes, as amended by this act, applies retroactively to from and after June 30, 2017.

APPROVED BY THE GOVERNOR MAY 12, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 12, 2017.