

REFERENCE TITLE: funding adjustment; actual utility costs

State of Arizona
Senate
Forty-eighth Legislature
Second Regular Session
2008

SB 1446

Introduced by
Senators Leff, Allen; Representatives Reagan: DeSimone, Driggs,
Hershberger, McClure

AN ACT

AMENDING SECTIONS 15-910, 15-947 AND 15-947.01, ARIZONA REVISED STATUTES;
RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 15-910, Arizona Revised Statutes, is amended to
3 read:
4 15-910. School district budgets; excess utility costs;
5 desegregation costs; tuition costs for bond issues;
6 costs for registering warrants; report; definitions
7 A. The governing board may budget for the district's excess utility
8 costs which are specifically exempt from the district's revenue control
9 limit. If approved by the qualified electors voting at a statewide general
10 election, the exemption from the revenue control limit under this subsection
11 expires at the end of the 2008-2009 budget year. The uniform system of
12 financial records shall specify expenditure items allowable as excess utility
13 costs, which are limited to direct operational costs of heating, cooling,
14 water and electricity, telephone communications and sanitation fees. The
15 department of education and the auditor general shall include in the
16 maintenance and operation section of the budget format, as provided in
17 section 15-903, a separate line for utility expenditures and a special excess
18 utility cost category. The special excess utility cost category shall
19 contain budgeted expenditures for excess utility costs, determined as
20 follows:
21 1. Determine the lesser of the total budgeted or total actual utility
22 expenditures for fiscal year 1984-1985.
23 2. Multiply the amount in paragraph 1 of this subsection by the total
24 percentage increase or decrease in the revenue control limit and the capital
25 outlay revenue limit for the budget year over the revenue control limit and
26 the capital outlay revenue limit for fiscal year 1984-1985 excluding monies
27 available from a career ladder program or a teacher compensation program
28 provided for in section 15-952.
29 3. The sum of the amounts in paragraphs 1 and 2 of this subsection is
30 the amount budgeted in the utility expenditure line.
31 4. Additional expenditures for utilities are budgeted in the excess
32 utility cost category.
33 B. The governing board shall apply the same percentage increase or
34 decrease allowed in the revenue control limit and the capital outlay revenue
35 limit as provided in section 15-905, subsection E or section 15-948 to the
36 utility expenditure line of the budget.
37 C. The governing board may expend from the excess utility cost
38 category only after it has expended for utility purposes the full amount
39 budgeted in the utility expenditure line of the budget.
40 D. The governing board, after notice is given and a public meeting is
41 held as provided in section 15-905, subsection D, may revise at any time
42 before May 15 the amount budgeted in the excess utility cost category for the
43 current year. Not later than May 18, the budget as revised shall be
44 submitted electronically to the superintendent of public instruction.

1 E. If the revised excess utility cost category results in an
2 expenditure of monies in excess of school district revenues for the current
3 year, the county school superintendent shall include within the revenue
4 estimate for the budget year monies necessary to meet the liabilities
5 incurred by the school district in the current year in excess of revenues
6 received for the current year.

7 F. If a school district receives a refund of utility expenditures or a
8 rebate on energy saving devices or services, the refund or rebate shall be
9 applied against utility expenditures for the current year as a reduction of
10 the expenditures, except that the reduction of expenditures shall not exceed
11 the amount of actual utility expenditures.

12 G. The governing board may budget for expenses of complying with or
13 continuing to implement activities which were required or permitted by a
14 court order of desegregation or administrative agreement with the United
15 States department of education office for civil rights directed toward
16 remediating alleged or proven racial discrimination which are specifically
17 exempt in whole or in part from the revenue control limit and the capital
18 outlay revenue limit. This exemption applies only to expenses incurred for
19 activities which are begun before the termination of the court order or
20 administrative agreement. If a district is levying a primary property tax on
21 February 23, 2006 and using those monies to administer an English language
22 learner program to remedy alleged or proven discrimination under title VI of
23 the civil rights act of 1964 (42 United States Code section 2000d), the
24 district may spend those monies to remedy a violation of the equal education
25 act of 1974 (20 United States Code section 1703(f)). Nothing in this
26 subsection allows a school district to levy a primary property tax for
27 violations of the equal education act of 1974 (20 United States Code section
28 1703(f)) in the absence of an alleged or proven discrimination under title VI
29 of the civil rights act of 1964 (42 United States Code section 2000d).

30 H. If a governing board chooses to budget monies outside of the
31 revenue control limit as provided in subsection G of this section, the
32 governing board may do one of the following:

33 1. Use monies from the maintenance and operation fund equal to any
34 excess desegregation or compliance expenses beyond the revenue control limit
35 before June 30 of the current year.

36 2. Notify the county school superintendent to include the cost of the
37 excess expenses in the county school superintendent's estimate of the
38 additional amount needed for the school district from the primary property
39 tax as provided in section 15-991.

40 3. Employ the provisions of both paragraphs 1 and 2 of this subsection
41 provided that the total amount transferred and included in the amount needed
42 from property taxes does not exceed the total amount budgeted as prescribed
43 in subsection J, paragraph 1 of this section.

44 I. Through fiscal year 2003-2004, the maximum amount which a governing
45 board may budget outside of the capital outlay revenue limit as provided in

1 subsection G of this section is twelve per cent of the maintenance and
2 operation desegregation budget as provided in subsection J of this section or
3 the amount that it budgeted pursuant to this subsection for fiscal year
4 2001-2002, whichever is less. If a governing board chooses to budget monies
5 outside of the capital outlay revenue limit as provided in subsection G of
6 this section, the governing board may notify the county school superintendent
7 to include the cost of the excess expenses in the county school
8 superintendent's estimate of the additional amount needed for the school
9 district from the primary property tax as provided in section 15-991.

10 J. A governing board using subsections G, H and I of this section:

11 1. Shall prepare and employ a separate maintenance and operation
12 desegregation budget and capital outlay desegregation budget on a form
13 prescribed by the superintendent of public instruction in conjunction with
14 the auditor general. The budget format shall be designed to allow a school
15 district to plan and provide in detail for expenditures to be incurred solely
16 as a result of compliance with or continuing to implement activities which
17 were required or permitted by a court order of desegregation or
18 administrative agreement with the United States department of education
19 office for civil rights directed toward remediating alleged or proven racial
20 discrimination.

21 2. Shall prepare as a part of the annual financial report a detailed
22 report of expenditures incurred solely as a result of compliance with or
23 continuing to implement activities which were required or permitted by a
24 court order of desegregation or administrative agreement with the United
25 States department of education office for civil rights directed toward
26 remediating alleged or proven racial discrimination, in a format prescribed
27 by the auditor general in conjunction with the ARIZONA department of
28 education as provided by section 15-904.

29 3. On or before July 15, 2006 and each year thereafter, shall collect
30 and report data regarding activities related to a court order of
31 desegregation or an administrative agreement with the United States
32 department of education office for civil rights directed toward remediating
33 alleged or proven racial discrimination in a format prescribed by the
34 department of education. The department shall compile and submit copies of
35 the reports to the governor, the president of the senate, the speaker of the
36 house of representatives and the chairpersons of the education committees of
37 the senate and the house of representatives. A school district that becomes
38 subject to a new court order of desegregation or a party to an administrative
39 agreement with the United States department of education office for civil
40 rights directed toward remediating alleged or proven racial discrimination
41 shall submit these reports on or before July 15 or within ninety days of the
42 date of the court order or administrative agreement, whichever occurs first.
43 The ARIZONA department of education, in consultation with the auditor
44 general, shall develop reporting requirements to ensure that school districts

1 submit at least the following information and documentation to the ARIZONA
2 department of education beginning in fiscal year 2006-2007:

3 (a) A district-wide budget summary and a budget summary on a school by
4 school basis for each school in the school district that lists the sources
5 and uses of monies that are designated for desegregation purposes.

6 (b) A detailed list of desegregation activities on a district-wide
7 basis and on a school by school basis for each school in the school district.

8 (c) The date that the school district was determined to be out of
9 compliance with title VI of the civil rights act of 1964 (42 United States
10 Code section 2000d) and the basis for that determination.

11 (d) The initial date that the school district began to levy property
12 taxes to provide funding for desegregation expenses and any dates that these
13 property tax levies were increased.

14 (e) If applicable, a current and accurate description of all magnet
15 type programs that are in operation pursuant to the court order during the
16 current school year on a district-wide basis and on a school by school basis.
17 This information shall contain the eligibility and attendance criteria of
18 each magnet type program, the capacity of each magnet type program, the
19 ethnic composition goals of each magnet type program, the actual attending
20 ethnic composition of each magnet type program and the specific activities
21 offered in each magnet type program.

22 (f) The number of pupils who participate in desegregation activities
23 on a district-wide basis and on a school by school basis for each school in
24 the school district.

25 (g) A detailed summary of the academic achievement of pupils on a
26 district-wide basis and on a school by school basis for each school in the
27 school district.

28 (h) The number of employees, including teachers and administrative
29 personnel, on a district-wide basis and on a school by school basis for each
30 school in the school district that ~~are~~ IS necessary to conduct desegregation
31 activities.

32 (i) The number of employees, including teachers and administrative
33 personnel, on a district-wide basis and on a school by school basis for each
34 school in the school district and the number of employees at school district
35 administrative offices that are funded in whole or in part with desegregation
36 monies received pursuant to this section.

37 (j) The amount of monies that ~~are~~ IS not derived through a primary or
38 secondary property tax levy and that ~~are~~ IS budgeted and spent on
39 desegregation activities on a district-wide basis and on a school by school
40 basis for each school in the school district.

41 (k) Verification that the desegregation funding will supplement and
42 not supplant funding for other academic and extracurricular activities.

43 (l) Verification that the desegregation funding is educationally
44 justifiable.

1 (m) Any documentation that supports the proposition that the requested
2 desegregation funding is intended to result in equal education opportunities
3 for all pupils in the school district.

4 (n) Verification that the desegregation funding will be used to
5 promote systemic and organizational changes within the school district.

6 (o) Verification that the desegregation funding will be used in
7 accordance with the academic standards adopted by the state board of
8 education pursuant to sections 15-701 and 15-701.01.

9 (p) Verification that the desegregation funding will be used to
10 accomplish specific actions to remediate proven discrimination pursuant to
11 title VI of the civil rights act of 1964 (42 United States Code section
12 2000d) as specified in the court order or administrative agreement.

13 (q) An evaluation by the school district of the effectiveness of the
14 school district's desegregation measures.

15 (r) An estimate of when the school district will be in compliance with
16 the court order or administrative agreement and a detailed account of the
17 steps that the school district will take to achieve compliance.

18 (s) Any other information that the department of education deems
19 necessary to carry out the purposes of this paragraph.

20 K. If a school district governing board budgets for expenses of
21 complying with a court order of desegregation or an administrative agreement
22 with the United States department of education office for civil rights
23 directed toward remediating alleged or proven racial discrimination, the
24 governing board shall ensure that the desegregation expenses will:

25 1. Be educationally justifiable.

26 2. Result in equal education opportunities for all pupils in the
27 school district.

28 3. Be used to promote systemic and organizational changes within the
29 school district.

30 4. Be used in accordance with the academic standards adopted by the
31 state board of education pursuant to sections 15-701 and 15-701.01.

32 5. Be used to accomplish specific actions to remediate proven
33 discrimination pursuant to title VI of the civil rights act of 1964 (42
34 United States Code section 2000d) as specified in the court order or
35 administrative agreement.

36 6. Be used in accordance with a plan submitted to the department of
37 education that includes an estimate of the amount of monies that will be
38 required to bring the school district into compliance with the court order or
39 administrative agreement and an estimate of when the school district will be
40 in compliance with the court order or administrative agreement.

41 L. The governing board may budget for the bond issues portion of the
42 cost of tuition charged the district as provided in section 15-824 for the
43 pupils attending school in another school district, except that if the
44 district is a common school district not within a high school district, the
45 district may only include that part of tuition which is excluded from the

1 revenue control limit and district support level as provided in section
 2 15-951. The bond issues portion of the cost of tuition charged is
 3 specifically exempt from the revenue control limit of the school district of
 4 residence, and the primary property tax rate set to fund this amount shall
 5 not be included in the computation of additional state aid for education as
 6 provided in section 15-972, except as provided in section 15-972,
 7 subsection E. The department of education and the auditor general shall
 8 include in the maintenance and operation section of the budget format, as
 9 provided in section 15-903, a separate category for the bond issues portion
 10 of the cost of tuition.

11 M. The governing board may budget for interest expenses it incurred
 12 for registering warrants drawn against a fund of the school district or net
 13 interest expense on tax anticipation notes as prescribed in section
 14 35-465.05, subsection C for the fiscal year preceding the current year if the
 15 county treasurer pooled all school district monies for investment as provided
 16 in section 15-996 for the fiscal year preceding the current year and, in
 17 those school districts that receive state aid, the school districts applied
 18 for an apportionment of state aid before the date set for the apportionment
 19 as provided in section 15-973 for the fiscal year preceding the current year.
 20 The governing board may budget an amount for interest expenses for
 21 registering warrants or issuing tax anticipation notes equal to or less than
 22 the amount of the warrant interest expense or net interest expense on tax
 23 anticipation notes as prescribed in section 35-465.05, subsection C for the
 24 fiscal year preceding the current year as provided in this subsection which
 25 is specifically exempt from the revenue control limit. For the purposes of
 26 this subsection, "state aid" means state aid as determined in sections 15-971
 27 and 15-972.

28 N. BEGINNING IN FISCAL YEAR 2009-2010 AND FOR EACH FISCAL YEAR
 29 THEREAFTER, EACH SCHOOL DISTRICT SHALL SUBMIT DOCUMENTATION TO THE DEPARTMENT
 30 OF EDUCATION THAT DEMONSTRATES THE SCHOOL DISTRICT'S ACTUAL BILLED UTILITY
 31 COSTS FOR THE TWO PREVIOUS FISCAL YEARS. THE DEPARTMENT OF EDUCATION SHALL
 32 VERIFY THE INFORMATION SUBMITTED PURSUANT TO THIS SUBSECTION. BEGINNING IN
 33 FISCAL YEAR 2009-2010 AND FOR EACH FISCAL YEAR THEREAFTER, THE DEPARTMENT OF
 34 EDUCATION SHALL REQUEST A SEPARATE LINE ITEM APPROPRIATION FOR DISTRIBUTIONS
 35 OF UTILITY COSTS TO SCHOOL DISTRICTS PURSUANT TO THIS SUBSECTION IN THE
 36 BUDGET ESTIMATE SUBMITTED PURSUANT TO SECTION 35-113. MONIES BUDGETED BY
 37 SCHOOL DISTRICTS FROM MONIES DISTRIBUTED PURSUANT TO THIS SUBSECTION ARE NOT
 38 EXEMPT FROM THE REVENUE CONTROL LIMIT. THE DEPARTMENT OF EDUCATION SHALL
 39 DISTRIBUTE MONIES FOR UTILITY COSTS TO EACH QUALIFYING SCHOOL DISTRICT
 40 PURSUANT TO THIS SUBSECTION FROM MONIES APPROPRIATED FOR THIS PURPOSE AS
 41 FOLLOWS:

- 42 1. DETERMINE THE SCHOOL DISTRICT'S ACTUAL BILLED UTILITY COSTS FOR
 43 FISCAL YEAR 2007-2008.

1 2. DETERMINE THE DIFFERENCE BETWEEN THE SCHOOL DISTRICT'S ACTUAL
2 BILLED UTILITY COSTS FOR FISCAL YEAR 2008-2009 AND THE ACTUAL BILLED UTILITY
3 COSTS FOR FISCAL YEAR 2007-2008.

4 3. DIVIDE THE AMOUNT DETERMINED IN PARAGRAPH 2 OF THIS SUBSECTION BY
5 TWO.

6 4. MULTIPLY THE AMOUNT DETERMINED IN PARAGRAPH 3 OF THIS SUBSECTION BY
7 NINETY PER CENT.

8 5. THE AMOUNT DETERMINED IN PARAGRAPH 4 OF THIS SUBSECTION IS THE
9 AMOUNT THAT SHALL BE DISTRIBUTED TO A QUALIFYING SCHOOL DISTRICT PURSUANT TO
10 THIS SUBSECTION IN FISCAL YEAR 2009-2010. IN FISCAL YEAR 2010-2011 AND FOR
11 EACH FISCAL YEAR THEREAFTER, THE DEPARTMENT OF EDUCATION SHALL USE THE METHOD
12 PRESCRIBED IN THIS SUBSECTION FOR THE PREVIOUS TWO FISCAL YEARS AS THE BASIS
13 TO DETERMINE THE AMOUNT TO DISTRIBUTE TO A QUALIFYING SCHOOL DISTRICT
14 PURSUANT TO THIS SUBSECTION IN EACH FISCAL YEAR.

15 0. FOR THE PURPOSES OF THIS SECTION:

16 1. "ACTUAL BILLED UTILITY COSTS" MEANS COSTS FOR WHICH A SCHOOL
17 DISTRICT IS BILLED BY A SERVICE PROVIDER FOR ELECTRICITY, GAS, WATER,
18 SANITATION AND TELECOMMUNICATIONS.

19 2. "ELECTRICITY" HAS THE SAME MEANING PRESCRIBED IN SECTION 30-801.

20 3. "GAS" HAS THE SAME MEANING PRESCRIBED IN SECTION 27-501.

21 4. "TELECOMMUNICATIONS" MEANS THE TRANSMISSION OF INFORMATION OVER
22 TELEPHONE NETWORKS, THE INTERNET AND CABLE AND SATELLITE TELEVISION SYSTEMS
23 OR OTHER EQUIVALENT TECHNOLOGY.

24 Sec. 2. Section 15-947, Arizona Revised Statutes, is amended to read:

25 15-947. Revenue control limit; district support level; general
26 budget limit; unrestricted total capital budget
27 limit; soft capital allocation limit

28 A. The revenue control limit for a school district is equal to the sum
29 of the base revenue control limit determined in section 15-944, **THE AMOUNT**
30 **DETERMINED IN SECTION 15-910, SUBSECTION N** and the transportation revenue
31 control limit determined in section 15-946.

32 B. The district support level for a school district is equal to the
33 sum of the base support level determined in section 15-943 and the
34 transportation support level determined in section 15-945.

35 C. The general budget limit for each school district, for each fiscal
36 year, is the sum of the following:

37 1. The maintenance and operations portion of the revenue control limit
38 for the budget year.

39 2. The maintenance and operation portion of the following amounts:

40 (a) Amounts that are fully funded by revenues other than a levy of
41 taxes upon the taxable property within the school district, as listed below:

42 (i) Amounts budgeted as the budget balance carryforward as provided in
43 section 15-943.01.

44 (ii) Tuition revenues for attendance of nonresident pupils.

45 (iii) State assistance as provided in section 15-976.

1 (iv) Special education revenues as provided in section 15-825,
2 subsection D and section 15-1204.

3 (v) P.L. 81-874 assistance determined for children with disabilities,
4 children with specific learning disabilities and children residing on Indian
5 lands as provided in section 15-905, subsections K and O.

6 (vi) P.L. 81-874 administrative costs as provided in section 15-905,
7 subsection P.

8 (vii) State assistance for excess tuition as provided in section
9 15-825.01.

10 (viii) Amounts received from the state board of education pursuant to
11 section 15-973.01.

12 (b) Amounts approved pursuant to an override election as provided in
13 section 15-481 for the applicable fiscal year.

14 (c) Expenditures for excess utility costs as provided in section
15 15-910.

16 (d) Amounts authorized by the county school superintendent pursuant to
17 section 15-974, subsection C.

18 (e) Expenditures for complying with a court order of desegregation as
19 provided in section 15-910.

20 (f) Expenditures for the bond issues portion of the cost of tuition as
21 provided in section 15-910.

22 (g) Interest on registered warrants or tax anticipation notes as
23 provided in section 15-910.

24 (h) Amounts budgeted for a jointly owned and operated career and
25 technical education and vocational education center as provided in section
26 15-910.01.

27 ~~(i) Amount of energy reduction adjustment pursuant to section~~
28 ~~15-910.02.~~

29 3. The maintenance and operations portion of the capital outlay
30 revenue limit for the budget year.

31 4. Any other budget item that is budgeted in the maintenance and
32 operation section of the budget and that is specifically exempt from the
33 revenue control limit or the capital outlay revenue limit.

34 D. The unrestricted capital budget limit, for each school district for
35 each fiscal year, is the sum of the following:

36 1. The federal impact adjustment as determined in section 15-964 for
37 the budget year.

38 2. Any other budget item that is budgeted in the capital outlay
39 section of the budget and that is specifically exempt from the capital outlay
40 revenue limit.

41 3. The capital portion of the amounts contained in subsection
42 C, paragraph 2 of this section.

43 4. The unexpended budget balance in the unrestricted capital outlay
44 fund from the previous fiscal year.

