State of Arizona House of Representatives Forty-eighth Legislature Second Regular Session 2008

HOUSE BILL 2234

AN ACT

AMENDING SECTIONS 15-491, 15-1021 AND 15-2031, ARIZONA REVISED STATUTES; RELATING TO JOINT TECHNOLOGICAL EDUCATION DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 15-491, Arizona Revised Statutes, is amended to read:

15-491. <u>Elections on school property: exceptions</u>

- A. The governing board of a school district may, and upon petition of fifteen per cent of the school electors as shown by the poll list at the last preceding annual school election shall, call an election for the following purposes:
 - 1. To locate or change the location of school buildings.
- 2. To purchase or sell school sites or buildings or sell school sites pursuant to section 15-342 or to build school buildings, but the authorization by vote of the school district shall not necessarily specify the site to be purchased.
- 3. To decide whether the bonds of the school district shall be issued and sold for the purpose of raising money for purchasing or leasing school lots, for building or renovating school buildings, for improving school grounds, for purchasing pupil transportation vehicles or for liquidating any indebtedness already incurred for such purposes. Except as provided in section 15-1021, subsection H, the proceeds of class B bonds or impact aid revenue bonds shall not be used for soft capital purposes except for pupil transportation vehicles. A school district shall not issue class B bonds until the school district has obligated in contract the entire proceeds of any class A bonds issued by the school district. The total amount of class A and class B bonds issued by a school district shall not exceed the debt limitations prescribed in article IX, sections 8 and 8.1, Constitution of Arizona.
- 4. To lease for five or more years, as lessor or as lessee, school buildings or grounds. Approval by a majority of the school district electors voting authorizes the governing board to negotiate for and enter into a lease. The ballot shall list the school buildings or grounds for which a lease is sought. If the governing board does not enter into a lease of five or more years of the school buildings or grounds listed on the ballot within five years of the date of the election and the board continues to seek such a lease, the governing board shall call a special election to reauthorize the board to negotiate for and to enter into a lease of five or more years.
- B. No petition shall be required for the holding of the first election to be held in a joint common school district for any of the purposes specified in subsection A of this section. The notice of election required by section 15-492 shall be published in each of the counties which comprise the joint common school district. The certification of election results required by section 15-493 shall be made to the board of supervisors of the jurisdictional county.
- C. When the election is called to determine whether or not bonds of the school district shall be issued and sold for the purposes enumerated in the call for the election, the question shall be submitted to the vote of the

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qualified electors of the school district as defined in section 15-401 and subject to $\frac{\text{the provisions of}}{\text{the provisions of}}$ section 15-402.

- D. The governing board shall order the election to be held in the manner prescribed in title 35, chapter 3, article 3. If a petition for an election has been filed with the governing board as provided in subsection A of this section, the board shall act upon the petition within sixty days by ordering the election to be held as provided in this subsection. If a school district bond election is scheduled for the same date a school district will hold an override election, the governing body shall deliver a copy of the notice of election and ballot to the county school superintendent who shall include the notice of election and ballot with the information report and ballot prepared for the override election. Mailing of the information required for both the override and bond elections shall constitute compliance with the notice provisions of this section.
- E. The elections to be held pursuant to this section shall only be held on dates prescribed by section 16-204, except that elections held pursuant to this section to decide whether class B bonds shall be issued, or any other obligation incurred that will require the assessment of secondary property taxes, shall only be held on the first Tuesday after the first Monday of November.
- F. Subsection A, paragraph 2 of this section does not apply to the sale of school property if the market value of the school property is less than fifty thousand dollars.
- G. Bond counsel fees, financial advisory fees, printing costs and paying agent and registrar fees for bonds issued pursuant to an election under this section shall be paid from either the amount authorized by the qualified electors of the school district or current operating funds. Bond election expenses shall be paid from current operating funds only.
- H. For any election conducted to decide whether class B bonds will be issued pursuant to this section:
- 1. Except as provided in paragraph 2 of this subsection, the ballot shall include the following statement:

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

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

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

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______, a joint technological education district, is proposing to issue class B general obligation bonds totaling $_{-}$ _____ to fund capital improvements at the main A campus of OWNED OR OPERATED AND MAINTAINED BY the joint technological education district.

- 3. The ballot shall contain the words "bond approval, yes" and "bond approval, no", and the voter shall signify the voter's desired choice.
- 4. The ballot shall also contain the phrase "the issuance of these bonds will result in an annual levy of property taxes sufficient to pay the debt on the bonds".
- 5. At least eighty-five days before the election, the school district shall submit proposed ballot language to the director of the Arizona legislative council. The director of the Arizona legislative council shall review the proposed ballot language to determine whether the proposed ballot language complies with this section. If the director of the Arizona legislative council determines that the proposed ballot language does not comply with this section, the director, within ten calendar days of the receipt of the proposed ballot language, shall notify the school district of the director's objections and the school district shall resubmit revised ballot language to the director for approval.
- 6. No later than thirty-five days before a class B bond election conducted pursuant to this section, the school district shall mail a publicity pamphlet to each household that contains a qualified elector in the school district. The publicity pamphlet shall contain, at a minimum, the following information:
- (a) An executive summary of the school district's most recent capital plan submitted to the school facilities board.
- (b) A complete list of each proposed capital improvement that will be funded with the proceeds of the bonds and a description of the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities board.
- (c) The tax rate associated with each of the proposed capital improvements and the estimated cost of each capital improvement for the owner of a single family home that is valued at one hundred thousand dollars.
- I. For any election conducted to decide whether impact aid revenue bonds shall be issued pursuant to this section: $\frac{1}{2}$
 - 1. The ballot shall include the following statement:

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

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construction and renovation of school buildings in accordance with state law.

- 2. The ballot shall contain the words "bond approval, yes" and "bond approval, no", and the voter shall signify the voter's desired choice.
- 3. At least eighty-five days before the election, the school district shall submit proposed ballot language to the director of the legislative council. The director of the legislative council shall review the proposed ballot language to determine whether the proposed ballot language complies with this section. If the director of the legislative council determines that the proposed ballot language does not comply with this section, the director, within ten calendar days of the receipt of the proposed ballot language, shall notify the school district of the director's objections and the school district shall resubmit revised ballot language to the director for approval.
- 4. No later than thirty-five days before an impact aid revenue bond election conducted pursuant to this section, the school district shall mail a publicity pamphlet to each household that contains a qualified elector in the school district. The publicity pamphlet shall contain, at a minimum, the following information:
 - (a) The date of the election.
 - (b) The voter's polling place and the times it is open.
- (c) An executive summary of the school district's most recent capital plan submitted to the school facilities board.
- (d) A complete list of each proposed capital improvement that will be funded with the proceeds of the bonds and a description of the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities board.
- (e) A statement that impact aid revenue bonds will be fully funded by aid that the school district receives from the federal government and do not require a levy of taxes in the district.
- (f) A statement that if the bonds are approved the first priority for the impact aid will be to pay the debt service for the bonds and that other uses of the monies are prohibited until the debt service obligation is met.
- (g) A statement that if the impact aid revenue bonds are approved, the school district shall not issue or sell class B bonds while the district has existing indebtedness from impact aid revenue bonds, except for bonds issued to refund any bonds issued by the board.
- J. If the voters approve the issuance of school district class B bonds or impact aid revenue bonds, the school district shall not use the bond proceeds for any purposes other than the proposed capital improvements listed in the publicity pamphlet, except that up to ten per cent of the bond proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements.
- K. Each school district that issues bonds under this section is required to hold a public meeting each year between September 1 and October

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

Sec. 2. Section 15-1021, Arizona Revised Statutes, is amended to read: 15-1021. Limitation on bonded indebtedness; limitation on authorization and issuance of bonds

- A. Until December 31, 1999, a school district may issue class A bonds for the purposes specified in this section and chapter 4, article 5 of this title to an amount in the aggregate, including the existing indebtedness, not exceeding fifteen per cent of the taxable property used for secondary property tax purposes, as determined pursuant to title 42, chapter 15, article 1, within a school district as ascertained by the last property tax assessment previous to issuing the bonds.
- B. From and after December 31, 1998, a school district may issue class B bonds for the purposes specified in this section and chapter 4, article 5 of this title to an amount in the aggregate, including the existing class B indebtedness, not exceeding five per cent of the taxable property used for secondary property tax purposes, as determined pursuant to title 42, chapter 15, article 1, within a school district as ascertained by the last assessment of state and county taxes previous to issuing the bonds, or one thousand five hundred dollars per student count as determined pursuant to section 15-902, whichever amount is greater. A school district shall not issue class B bonds until the proceeds of any class A bonds issued by the school district have been obligated in contract. The total amount of class A and class B bonds issued by a school district shall not exceed the debt limitations prescribed in article IX, section 8, Constitution of Arizona.
- C. Until December 31, 1999, a unified school district, as defined under article IX, section 8.1, Constitution of Arizona, may issue class A bonds for the purposes specified in this section and chapter 4, article 5 of this title to an amount in the aggregate, including the existing indebtedness, not exceeding thirty per cent of the taxable property used for secondary property tax purposes, as determined pursuant to title 42, chapter 15, article 1, within a unified school district as ascertained by the last property tax assessment previous to issuing the bonds.
- D. From and after December 31, 1998, a unified school district, as defined under article IX, section 8.1, Constitution of Arizona, may issue class B bonds for the purposes specified in this section and chapter 4, article 5 of this title to an amount in the aggregate, including the existing

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class B indebtedness, not exceeding ten per cent of the taxable property used for secondary tax purposes, as determined pursuant to title 42, chapter 15, article 1, within a school district as ascertained by the last assessment of state and county taxes previous to issuing the bonds, or one thousand five hundred dollars per student count as determined pursuant to section 15-902, whichever amount is greater. A unified school district shall not issue class B bonds until the proceeds of any class A bonds issued by the unified school district have been obligated in contract. The total amount of class A and class B bonds issued by a unified school district shall not exceed the debt limitations prescribed in article IX, section 8.1, Constitution of Arizona.

- E. No bonds authorized to be issued by an election held after July 1, 1980 may be issued more than six years after the date of the election, except that class A bonds shall not be issued after December 31, 1999.
- F. Class A bond proceeds shall not be expended for items whose useful life is less than the average life of the bonds issued, except that bond proceeds shall not be expended for items whose useful life is less than five years.
- G. Except as provided in subsection H of this section, class B bond proceeds shall not be expended for soft capital items, computer hardware, or other items whose useful life is less than the average useful life of the bonds issued, except that bond proceeds shall not be expended for items whose useful life is less than five years. For the purposes of this subsection, "computer hardware" means an electronic device with an integrated circuit that performs logic, arithmetic or memory functions by the manipulations of electronic or magnetic impulses and includes all input, output, processing, storage, software or communication facilities that are connected or related to such a device in a system or network.
- Class B bond proceeds for a new facility at the main A campus of OWNED OR OPERATED AND MAINTAINED BY a joint technological education district may be expended for soft capital items, computer hardware, furniture or other equipment, except that no bonds may be issued for these purposes for a duration of more than five years. The total amount of bonds that a joint technological education district may issue pursuant to this subsection shall not exceed thirty per cent of the cost of the new school facility, including monies received for the **new** school facility pursuant to this section. JOINT TECHNOLOGICAL EDUCATION DISTRICT SHALL NOT SPEND CLASS B BOND PROCEEDS TO CONSTRUCT OR RENOVATE A FACILITY LOCATED ON THE CAMPUS OF A SCHOOL IN A SCHOOL DISTRICT THAT PARTICIPATES IN THE JOINT DISTRICT UNLESS THE FACILITY IS ONLY USED TO PROVIDE CAREER AND TECHNICAL EDUCATION AND IS AVAILABLE TO ALL PUPILS WHO LIVE WITHIN THE JOINT TECHNOLOGICAL EDUCATION DISTRICT. THE FACILITY IS NOT OWNED BY THE JOINT TECHNOLOGICAL EDUCATION DISTRICT, AN INTERGOVERNMENTAL AGREEMENT OR A WRITTEN CONTRACT SHALL BE EXECUTED FOR TEN YEARS OR THE DURATION OF THE BONDED INDEBTEDNESS, WHICHEVER IS GREATER. THE INTERGOVERNMENTAL AGREEMENT OR WRITTEN CONTRACT SHALL INCLUDE PROVISIONS:

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- 1. THAT PRESERVE THE USAGE OF THE FACILITY RENOVATED OR CONSTRUCTED, OR BOTH, ONLY FOR CAREER AND TECHNOLOGY PROGRAMS OPERATED BY THE JOINT TECHNOLOGY EDUCATION DISTRICT.
- 2. THAT INCLUDE THE PROCESS TO BE USED BY THE PARTICIPATING DISTRICT TO COMPENSATE THE JOINT TECHNOLOGY EDUCATION DISTRICT IN THE EVENT THAT THE FACILITY IS NO LONGER USED ONLY FOR CAREER AND TECHNOLOGY EDUCATION PROGRAMS OFFERED BY THE JOINT TECHNOLOGICAL EDUCATION DISTRICT DURING THE LIFE OF THE BOND.
- I. Notwithstanding subsections F and G of this section, bond proceeds may be expended for purchasing pupil transportation vehicles.
- J. A school district shall not authorize, issue or sell bonds pursuant to this section if the school district has any existing indebtedness from impact aid revenue bonds pursuant to chapter 16, article 8 of this title, except for bonds issued to refund any bonds issued by the governing board.
 - Sec. 3. Section 15-2031, Arizona Revised Statutes, is amended to read: 15-2031. Building renewal fund; definitions
- A. A building renewal fund is established consisting of monies appropriated by the legislature. The school facilities board shall administer the fund and distribute monies to school districts for the purpose of maintaining the adequacy of existing school facilities. Monies in the fund are continuously appropriated and are exempt from the provisions of section 35-190 relating to lapsing of appropriations.
- B. The school facilities board shall inventory and inspect all school buildings in this state in order to develop a database to administer the building renewal formula. The database shall include the student capacity of the building as determined by the school facilities board. The board shall distribute monies from the building renewal fund to school districts in an amount computed pursuant to subsection I of this section. A school district that receives monies from the building renewal fund shall use the monies first for any projects that fall below the minimum school facility adequacy guidelines, as adopted by the school facilities board pursuant to section 15-2011, and that are part of any buildings in the database and second for any other projects that are part of any buildings owned by the school district for any of the following:
 - 1. Major renovations and repairs of a building.
- 2. Upgrading systems and areas that will maintain or extend the useful life of the building.
 - 3. Infrastructure costs.
 - 4. Relocation and placement of portable and modular buildings.
- C. Monies received from the building renewal fund shall be used for primary projects, unless only secondary projects exist.
- D. Notwithstanding subsections B and C of this section, school districts shall use building renewal monies on secondary projects to comply with building, health, fire or safety codes. Before spending building

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renewal monies on secondary projects to comply with building, health, fire or safety codes, the school facilities board shall approve the projects.

- E. Monies received from the building renewal fund shall not be used for any of the following purposes:
 - 1. New construction.
 - 2. Remodeling interior space for aesthetic or preferential reasons.
 - 3. Exterior beautification.
 - 4. Demolition.
- 5. The purchase of soft capital items pursuant to section 15-962, subsection D.
- 6. Routine maintenance except as provided in section 15-2002, subsection K and subsection L of this section.
- F. The school facilities board shall maintain the building renewal database and use the database for the computation of the building renewal formula distributions. The board shall ensure that the database is updated on at least an annual basis to reflect changes in the ages and value of school buildings. The facilities listed in the database shall include only those buildings that are owned by school districts that are required to meet academic standards. Each school district shall report to the school facilities board no later than September 1 of each year the number and type of school buildings owned by the district, the square footage of each building, the age of each building, the nature of any renovations completed and the cost of any renovations completed. The school facilities board may review or audit, or both, to confirm the information submitted by a school district. IF A JOINT TECHNOLOGICAL EDUCATION DISTRICT LEASES A BUILDING FROM A SCHOOL DISTRICT, THAT BUILDING SHALL NOT BE INCLUDED IN THE SCHOOL DISTRICT'S SQUARE FOOTAGE CALCULATION AS PRESCRIBED IN SECTION 15-2011, SUBSECTION B. The board shall adjust the age of each school facility in the database whenever a building is significantly upgraded or remodeled. The age of a building that has been significantly upgraded or remodeled shall be recomputed as follows:
- 1. Divide the cost of the renovation by the building capacity value of the building determined in subsection I, paragraph 3 of this section.
- 2. Multiply the quotient determined in paragraph 1 of this subsection by the currently listed age of the building in the database.
- 3. Subtract the product determined in paragraph 2 of this subsection from the currently listed age of the building in the database, rounded to the nearest whole number. If the result is negative, use zero.
- G. The school facilities board shall submit an annual report to the president of the senate, the speaker of the house of representatives, the Arizona state library, archives and public records and the governor by October 1 that includes the computation of the amount of monies to be distributed from the building renewal fund for the current fiscal year. The joint committee on capital review shall review the school facilities board's calculation of the building renewal fund distributions. After the joint

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committee on capital review reviews the distributions computed by the school facilities board, the school facilities board shall distribute the monies from the building renewal fund to school districts in two equal installments in November and May of each year.

- H. School districts that receive monies from the building renewal fund shall establish a district building renewal fund and shall use the monies in the district building renewal fund only for the purposes prescribed in subsection B of this section. Ending cash balances in a school district's building renewal fund may be used in following fiscal years for building renewal pursuant to subsection B of 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 building renewal fund, including the amount of expenditures dedicated to primary projects and to secondary projects. On receipt of these reports, the school facilities board shall forward this information to the joint legislative budget committee staff and the governor's office of strategic planning and budgeting staff. Each school district shall also report to the school facilities board an accounting of the monies remaining in the district building renewal fund at the end of the previous fiscal year and a comprehensive three year plan that details the proposed use of building renewal monies. If a school district fails to submit the report by October 15, the school facilities board shall withhold building renewal monies from the school district until the school facilities board determines that the school district has complied with the reporting requirement. When the school facilities board determines that the school district has complied with the reporting requirement, the school facilities board shall restore the full amount of withheld building renewal monies to the school district.
- I. Notwithstanding any other provision of this chapter, if a school district converts space that is listed in the database maintained pursuant to this section 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. The building renewal amount for each school building shall be computed as follows:
- 1. Divide the age of the building as computed pursuant to subsection F of this section by one thousand two hundred seventy-five or, in the case of modular or portable buildings, by two hundred ten.
- 2. Multiply the quotient determined in paragraph 1 of this subsection by 0.67.
 - 3. Determine the building capacity value as follows:
- (a) Multiply the student capacity of the building by the per student square foot capacity established by section 15-2041.
- (b) Multiply the product determined in subdivision (a) by the cost per square foot established by section 15-2041.
- 4. Multiply the product determined in paragraph 2 of this subsection by the product determined in paragraph 3, subdivision (b) of this subsection.

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- J. If the school facilities board determines that a school district has spent monies from the building renewal fund for purposes other than those prescribed in subsection B of this section, the school facilities board shall notify the superintendent of public instruction. Notwithstanding any other law, the superintendent of public instruction shall withhold a corresponding amount from the monies that would otherwise be due the school district under the capital outlay revenue limit until these monies are repaid.
- K. Beginning on July 1, 2002, a school district is not entitled to receive monies from the building renewal fund for any buildings that are to be replaced with new buildings that are funded with deficiencies corrections monies. The replacement buildings are not eligible to receive building renewal funding until the fiscal year following the completion of the building.
- L. Notwithstanding subsections B and E of this section, a school district may use eight per cent of the building renewal amount computed pursuant to subsection I of this section for routine preventative maintenance. The board, after consultation with maintenance specialists in school districts, shall provide examples of recommended services that are routine preventative maintenance.
- M. A school district that uses building renewal monies for routine preventative maintenance shall use the building renewal monies to supplement and not supplant expenditures from other funds for the maintenance of school buildings. The auditor general shall prescribe a method for determining compliance with the requirements of this subsection. A school district, in connection with any audit conducted by a certified public accountant, shall also contract for an independent audit to determine whether the school district used building renewal monies to reduce the school district's existing level of routine preventative maintenance funding. The auditor general may conduct discretionary reviews of a school district that is not required to contract for an independent audit.
 - N. For the purposes of this section:
- 1. "Primary projects" means projects that are necessary for buildings owned by school districts that are required to meet the academic standards listed in the database maintained pursuant to subsection F of this section and that fall below the minimum school facility adequacy guidelines, as adopted by the school facilities board pursuant to section 15-2011.
- 2. "Routine preventative maintenance" means services that are performed on a regular schedule at intervals ranging from four times a year to once every three years and that are intended to extend the useful life of a building system and reduce the need for major repairs.
- 3. "Secondary projects" means all projects that are not primary projects.
- 4. "Student capacity" has the same meaning prescribed in section 15-2011.

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