

Forty-fourth Legislature
Fifth Special Session

EDUC
S.B. 1007

COMMITTEE ON EDUCATION
SENATE AMENDMENTS TO S.B. 1007
(Reference to printed bill)

Page 1, between lines 2 and 3, insert:

“Section 1. Title 15, chapter 1, article 5, Arizona Revised Statutes, is amended by adding section 15-154.01, to read:

15-154.01. Character education matching grant program

A. ANY PUBLIC OR CHARTER SCHOOL THAT TEACHES A CHARACTER EDUCATION CURRICULUM IS ELIGIBLE FOR A STATE MATCHING GRANT OF UP TO ONE THOUSAND FIVE HUNDRED DOLLARS ANNUALLY. THE SCHOOL SHALL PROVIDE MATCHING MONIES FROM ANY LAWFUL SOURCE.

B. THE CHARACTER EDUCATION PROGRAM SHALL BE AN AGE-SPECIFIC, STAND-ALONE CHARACTER EDUCATION CURRICULUM WITH THE FOLLOWING ELEMENTS:

1. APPLICABLE DEFINITIONS FOR CHARACTER QUALITIES THAT INCLUDE AT LEAST FIVE OF THE FOLLOWING ATTRIBUTES:

- (a) ATTENTIVENESS.**
- (b) CARING.**
- (c) CITIZENSHIP.**
- (d) COMPASSION.**
- (e) DILIGENCE.**
- (f) DISCERNMENT.**
- (g) FORGIVENESS.**
- (h) GENEROSITY.**
- (i) GRATEFULNESS.**
- (j) INITIATIVE.**
- (k) ORDERLINESS.**
- (l) RESPECT.**
- (m) RESPONSIBILITY.**
- (n) SINCERITY.**
- (o) TRUSTWORTHINESS.**
- (p) VIRTUE.**
- (q) WISDOM.**

2. ACTIVITIES THAT PROVIDE A FORUM FOR PRACTICAL APPLICATION AND AN ENVIRONMENT IN WHICH CHARACTER-RELATED BEHAVIOR IS IDENTIFIED, RECOGNIZED AND REINFORCED SUCH AS LITERATURE OR VISUAL MEDIA PRESENTATIONS OR DISCUSSION OF CHARACTER VALUES AS THEY RELATE TO A SPECIFIC STORY.

3. STORIES FROM THE LIVES OF OUR NATION’S LEADERS, WHERE CHARACTER QUALITIES ARE DEMONSTRATED.

4. MENTORS OR TEACHERS WHO DEMONSTRATE THE CHARACTER QUALITIES DEFINED IN THE LESSONS PRESENTED.

5. PROVIDES MENTOR AND TEACHER TRAINING FOR PRAISING STUDENTS WHO DEMONSTRATE SPECIFIC CHARACTER QUALITIES.

6. PROVIDES A PRE AND POST COURSE SURVEY OF PARENTS, TEACHERS AND STUDENTS ON THEIR ASSESSMENT OF THE PROGRAM.

B. THE STATE DEPARTMENT OF EDUCATION SHALL ADMINISTER THE PROGRAM AND DISTRIBUTE THE STATE MATCHING GRANT MONIES."

Renumber to conform

Page 6, strike lines 7, 8 and 9

Renumber to conform

Strike line 11

Renumber to conform

Strike lines 13 through 19

Line 26, after "2001" insert "BASED ON THE ACHIEVEMENT OF PUPILS CONTINUOUSLY ENROLLED IN THE SCHOOL DURING THE 1999-2000 SCHOOL YEAR IN THE CATEGORIES PRESCRIBED IN SUBSECTION A OF THIS SECTION"

Strike lines 32, 33 and 34, insert:

"D. A SCHOOL IN WHICH:

1. THE PERCENTAGE OF PUPILS WHO ARE CONTINUOUSLY ENROLLED IN THE SCHOOL AND WHO PASS THE ARIZONA INSTRUMENT TO MEASURE STANDARDS IS AT LEAST NINETY PER CENT, OR IS HIGHER THAN THE PERCENTAGE FOR THE PREVIOUS SCHOOL YEAR, IS DEEMED TO HAVE DEMONSTRATED ADEQUATE YEARLY PROGRESS IN THIS AREA.

2. THE PERCENTAGE OF PUPIL WHO ARE CONTINUOUSLY ENROLLED IN THE SCHOOL AND WHO PROGRESS ONE YEAR OR MORE DURING THE SCHOOL YEAR IS AT LEAST NINETY PER CENT, OR IS HIGHER THAN THE PERCENTAGE FOR THE PREVIOUS SCHOOL YEAR, IS DEEMED TO HAVE DEMONSTRATED ADEQUATE YEARLY PROGRESS IN THIS AREA.

3. THE DROPOUT RATE IS SIX PER CENT OR LESS, OR IS LOWER THAN THE DROPOUT RATE FOR THE PREVIOUS SCHOOL YEAR, IS DEEMED TO HAVE DEMONSTRATED ADEQUATE YEARLY PROGRESS IN THIS AREA."

Line 35, after "PROGRESS" insert "IN EACH AREA"

Line 37, strike "UNACCEPTABLE PERFORMANCE" insert "UNDERPERFORMING"

Between lines 38 and 39, insert:

"F. IF A SCHOOL IS DESIGNATED AS AN UNDERPERFORMING SCHOOL, THE GOVERNING BOARD, WITHIN THIRTY DAYS OF RECEIVING NOTICE OF THE DESIGNATION, SHALL PROVIDE WRITTEN NOTIFICATION OF THIS FACT TO EACH RESIDENCE WITHIN THE ATTENDANCE AREA OF THE SCHOOL. THE WRITTEN NOTIFICATION SHALL INCLUDE A DETAILED DESCRIPTION OF THE ACHIEVEMENT AREA IN WHICH THE SCHOOL FAILED TO DEMONSTRATE ACCEPTABLE PROGRESS."

Reletter to conform

Page 6, line 39, strike "UNACCEPTABLE PROGRESS" insert "UNDERPERFORMING"; after the comma insert "WITHIN NINETY DAYS AFTER RECEIVING NOTICE OF THE DESIGNATION"

Line 42, after the period insert "WITHIN THIRTY DAYS AFTER SUBMITTING THE IMPROVEMENT PLAN TO THE SUPERINTENDENT OF PUBLIC INSTRUCTION,"

Line 43, after "MEETING" strike remainder of line insert "IN EACH SCHOOL THAT HAS BEEN"

Page 7, line 1, strike "UNACCEPTABLE PERFORMANCE SCHOOLS" insert "AN UNDERPERFORMING SCHOOL"; after "AND" insert "SHALL PRESENT"

Line 3, strike "UNACCEPTABLE PERFORMANCE" insert "UNDERPERFORMING"; after the second "SCHOOL" insert "IN THE SAME ACHIEVEMENT AREA"

Line 4, after the comma insert "THE SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL DESIGNATE THE SCHOOL AS A FAILING SCHOOL, THAT DESIGNATION SHALL BE REPORTED ON THE SCHOOL REPORT CARD FOR THAT SCHOOL AND"

Line 9, after the period insert "THE DEPARTMENT OF EDUCATION MAY HIRE OR CONTRACT WITH ADMINISTRATORS, PRINCIPALS AND TEACHERS WHO HAVE DEMONSTRATED EXPERIENCE WITH THE CHARACTERISTICS AND SITUATIONS IN THE FAILING SCHOOL AND MAY USE THESE PERSONNEL AS PART OF THE TROUBLE SOLUTIONS TEAM."

Strike line 15

Line 16, strike "CLASSROOM SITE FUND."

Line 20, after the period insert "THE PARENT OR THE GUARDIAN OF THE PUPIL MAY APPLY, EITHER TO THE SCHOOL DISTRICT OR THE DEPARTMENT OF EDUCATION, IN SUCH MANNER AND AS THE DEPARTMENT OF EDUCATION DETERMINES, FOR REIMBURSEMENT FROM THE FAILING SCHOOL TUTORING FUND ESTABLISHED BY SECTION 42-5029."

Between lines 20 and 21 insert:

"I. IF A SCHOOL IS DESIGNATED AS A FAILING SCHOOL, THE GOVERNING BOARD SHALL:

1. WITHIN THIRTY DAYS OF RECEIVING NOTIFICATION OF THIS DESIGNATION, PROVIDE WRITTEN NOTIFICATION OF THIS FACT TO EACH RESIDENCE WITHIN THE ATTENDANCE AREA OF THE SCHOOL. THE WRITTEN NOTIFICATION SHALL INCLUDE A DETAILED DESCRIPTION OF THE ACHIEVEMENT AREA IN WHICH THE SCHOOL FAILED TO DEMONSTRATE ADEQUATE YEARLY PROGRESS.

2. WITHIN SIXTY DAYS OF RECEIVING NOTIFICATION OF THIS DESIGNATION, DEVELOP AN IMPROVEMENT PLAN FOR THE SCHOOL, SUBMIT A COPY OF THE PLAN TO THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND SUPERVISE THE IMPLEMENTATION OF THE PLAN. WITHIN THIRTY DAYS AFTER SUBMITTING THE IMPROVEMENT PLAN TO THE DEPARTMENT TO EDUCATION, THE GOVERNING BOARD SHALL HOLD A PUBLIC MEETING IN EACH SCHOOL THAT HAS BEEN DESIGNATED AS A FAILING SCHOOL AND SHALL PRESENT THE RESPECTIVE IMPROVEMENT PLANS THAT HAVE BEEN DEVELOPED FOR EACH PERIOD."

Reletter to conform

Lines 23, 28 and 29, 31 and 38, strike "UNACCEPTABLE PERFORMANCE" insert **FAILING**"

Page 24, between lines 19 and 20, insert:

"Sec. 8. Section 15-910, Arizona Revised Statutes, is amended to read:

15-910. School district budgets; excess utility costs; desegregation costs; tuition costs for bond issues; costs for registering warrants

A. **UNTIL JUNE 30, 2009**, the governing board may budget for excess utility costs which are specifically exempt from the revenue control limit for the school district. The uniform system of financial records shall specify expenditure items allowable as excess utility costs, which are limited to direct operational costs of heating, cooling, water and electricity, telephone communications and sanitational fees. The department of education and the auditor general shall include in the maintenance and operation section of the budget format, as provided in section 15-903, a separate line for utility expenditures and a special excess utility cost category. The special excess utility cost category shall contain budgeted expenditures for excess utility costs, determined as follows:

1. Determine the lesser of the total budgeted or total actual utility expenditures for fiscal year 1984-1985.
2. Multiply the amount in paragraph 1 of this subsection by the total percentage increase or decrease in the revenue control limit and the capital outlay revenue limit for the budget year over the revenue control limit and the capital outlay revenue limit for fiscal year 1984-1985 excluding monies available from a career ladder program or a teacher compensation program provided for in section 15-952.
3. The sum of the amounts in paragraph 1 and paragraph 2 of this subsection is the amount budgeted in the utility expenditure line.
4. Additional expenditures for utilities are budgeted in the excess utility cost category.

B. The governing board shall apply the same percentage increase or decrease allowed in the revenue control limit and the capital outlay revenue limit as provided in section 15-905, subsection E or section 15-948 to the utility expenditure line of the budget.

C. The governing board may expend from the excess utility cost category only after it has expended for utility purposes the full amount budgeted in the utility expenditure line of the budget.

D. The governing board may, after notice is given and a public meeting is held as provided in section 15-905, subsection D, revise at any time before May 15 the amount budgeted in the excess utility cost category for the current year.

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

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

G. The governing board may budget for expenses of complying with or continuing to implement activities which were required or permitted by a court order of desegregation or administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination which are specifically exempt in whole or in part from the revenue control limit and the capital outlay revenue limit. This exemption applies only to expenses incurred for activities which are begun before the termination of the court order or administrative agreement.

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

1. Use monies from the maintenance and operation fund equal to any excess desegregation or compliance expenses beyond the revenue control limit before June 30 of the current year.
2. Notify the county school superintendent to include the cost of the excess expenses in the county school superintendent's estimate of the additional amount needed for the school district from the primary property tax as provided in section 15-991.

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

I. The maximum amount which a governing board may budget outside of the capital outlay revenue limit as provided in subsection G of this section is twelve per cent of the maintenance and operation desegregation budget as provided in subsection J of this section. If a governing board chooses to budget monies outside of the capital outlay revenue limit as provided in subsection G of this section, the governing board may notify the county school superintendent to include the cost of the excess expenses in the county school superintendent's estimate of the additional amount needed for the school district from the primary property tax as provided in section 15-991.

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

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

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

K. The governing board may budget for the bond issues portion of the cost of tuition charged the district as provided in section 15-824 for the pupils attending school in another school district, except that if the district is a common school district not within a high school district, the district may only include that part of tuition which is excluded from the revenue control limit and district support level as provided in section 15-951. The bond issues portion of the cost of tuition charged is specifically exempt from the revenue control limit of the school district of residence, and the primary property tax rate set to fund this amount shall not be included in the computation of additional state aid for education as provided in section 15-972, except as provided in section 15-972, subsection E. The department of education and the auditor general shall include in the maintenance and operation section of the budget format, as provided in section 15-903, a separate category for the bond issues portion of the cost of tuition.

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

Renumber to conform

Page 29, line 16, after the period insert "THESE MONIES SHALL BE ESTABLISHED AS PART OF THE TEACHER'S BASE SALARY. THE SCHOOL DISTRICT SHALL APPLY TO THE STATE BOARD OF EDUCATION FOR PERFORMANCE PAY INCREASES. THE STATE BOARD OF EDUCATION SHALL ESTABLISH AN APPLICATION AND REVIEW PROCEDURE OF THE PERFORMANCE PAY SYSTEM BY JULY 1, 2001."

Page 30, strike lines 9 and 10

Renumber to conform

Page 30, strike lines 32 through 43

Page 31, strike lines 1 and 2, insert:

"3. "MAINTENANCE AND OPERATIONS PURPOSES" MEANS EXPENDITURES USED EXCLUSIVELY FOR CLASSROOM INSTRUCTIONAL SUPPORT TO FURTHER THE ACADEMIC ACHIEVEMENT OF INDIVIDUAL PUPILS."

Page 32, strike lines 3 through 43, insert:

"Sec. 13. Title 15, chapter 12, article 4, Arizona Revised Statutes, is amended by adding section 15-1472, to read:

15-1472. Expenditure of sales tax revenues; community college districts

A. EACH COMMUNITY COLLEGE DISTRICT SHALL ESTABLISH A SEPARATE WORKFORCE DEVELOPMENT ACCOUNT TO RECEIVE ONLY SALES TAX MONIES AUTHORIZED PURSUANT TO

SECTION 42-5029, SUBSECTION E, PARAGRAPH 3. EACH COMMUNITY COLLEGE DISTRICT BOARD SHALL APPROVE THE EXPENDITURE OF THESE MONIES IN ACCORDANCE WITH SECTION 15-1461 AND CONSISTENT WITH THE PROVISIONS OF SUBSECTION B OF THIS SECTION.

B. SALES TAX REVENUES RECEIVED PURSUANT TO SUBSECTION A OF THIS SECTION SHALL BE EXPENDED FOR WORKFORCE DEVELOPMENT AND JOB TRAINING PURPOSES. THESE EXPENDITURES MAY INCLUDE:

- 1. PARTNERSHIPS WITH BUSINESSES AND EDUCATIONAL INSTITUTIONS.**
- 2. ADDITIONAL FACULTY FOR IMPROVED AND EXPANDED CLASSROOM INSTRUCTION AND COURSE OFFERINGS.**
- 3. TECHNOLOGY, EQUIPMENT AND TECHNOLOGY INFRASTRUCTURE FOR ADVANCED TEACHING AND LEARNING IN CLASSROOMS OR LABORATORIES.**
- 4. STUDENT SERVICES SUCH AS ASSESSMENT, ADVISEMENT AND COUNSELING FOR THE NEW AND EXPANDED JOB OPPORTUNITIES.**
- 5. THE PURCHASE, LEASE OR LEASE-PURCHASE OF REAL PROPERTY FOR NEW CONSTRUCTION, REMODELING OR REPAIR OF BUILDINGS OR FACILITIES ON REAL PROPERTY.**

C. SALES TAX REVENUES AUTHORIZED FOR COMMUNITY COLLEGE DISTRICTS IN SECTION 42-5029, SUBSECTION E, PARAGRAPH 3 SHALL BE DEPOSITED BY THE STATE TREASURER INTO EACH DISTRICT'S WORKFORCE DEVELOPMENT ACCOUNT WITHIN FIFTEEN DAYS OF THE END OF THE PRECEDING MONTH FOR WHICH THE SALES TAX REVENUES HAVE BEEN COLLECTED. THE STATE TREASURER SHALL ALSO ALLOCATE AND DISTRIBUTE ANY POOLED INTEREST EARNINGS EARNED FROM SALES TAX REVENUES AUTHORIZED IN SECTION 42-5029, SUBSECTION E, PARAGRAPH 3 TO EACH DISTRICT IN ACCORDANCE WITH THE METHOD PRESCRIBED IN SUBSECTION E, PARAGRAPH 2 OF THIS SECTION.

D. SALES TAX REVENUES AUTHORIZED FOR COMMUNITY COLLEGE DISTRICTS IN SECTION 42-5029, SUBSECTION E, PARAGRAPH 3 SHALL BE DISTRIBUTED BY THE STATE IN THE FOLLOWING MANNER:

1. FOR THIRTEEN FISCAL YEARS BEGINNING IN FISCAL YEAR 2001-2002 THE STATE TREASURER SHALL ALLOCATE ONE MILLION DOLLARS PER FISCAL YEAR FOR THE PURPOSE OF BRINGING THIS STATE INTO COMPLIANCE WITH THE MATCHING CAPITAL REQUIREMENTS PRESCRIBED IN SECTION 15-1463. THE STATE TREASURER SHALL DISTRIBUTE THE MONIES AUTHORIZED IN THIS SUBSECTION TO EACH DISTRICT IN THE ORDER IN WHICH EACH CAMPUS QUALIFIED FOR FUNDING PURSUANT TO SECTION 15-1463.

2. AFTER THE MONIES FROM PARAGRAPH 1 OF THIS SUBSECTION HAVE BEEN PAID EACH YEAR TO THE ELIGIBLE DISTRICT, THE STATE TREASURER SHALL DISTRIBUTE SALES TAX REVENUES FROM THE WORKFORCE DEVELOPMENT FUND TO EACH COMMUNITY COLLEGE DISTRICT AS PRESCRIBED IN SUBSECTION D OF THIS SECTION IN THE FOLLOWING MANNER:

- (a) EACH DISTRICT SHALL RECEIVE THE SUM OF TWO HUNDRED THOUSAND DOLLARS.**
- (b) AFTER EACH DISTRICT HAS RECEIVED THE PAYMENT OF FUNDS PRESCRIBED IN SUBPARAGRAPH (a) OF THIS PARAGRAPH, THE REMAINDER OF SALES TAX REVENUES IN THE FUND SHALL BE DISTRIBUTED TO EACH DISTRICT ACCORDING TO EACH DISTRICT'S FULL TIME EQUIVALENT STUDENT ENROLLMENT PERCENTAGE OF THE TOTAL STATE WIDE AUDITED FULL TIME EQUIVALENT STUDENT ENROLLMENT IN THE PRECEDING FISCAL YEAR PRESCRIBED IN SECTION 15-1466.01. THE PERCENTAGE DISTRIBUTION IN THIS PARAGRAPH SHALL BE ADJUSTED ANNUALLY ON OCTOBER 1 OF EACH YEAR.**

E. SALES TAX REVENUES RECEIVED BY COMMUNITY COLLEGE DISTRICTS SHALL NOT BE USED BY THE LEGISLATURE TO SUPPLANT OR REDUCE ANY STATE AID AUTHORIZED IN ARTICLE 4 OF THIS CHAPTER OR SUPPLANT ANY PROCEEDS FROM THE SALE OF BONDS AUTHORIZED IN ARTICLES 4 AND 5 OF THIS CHAPTER.

F. SALES TAX REVENUES AS PRESCRIBED IN THIS SECTION ARE EXEMPT FROM CALCULATIONS RELATING TO DISTRICT EXPENDITURE LIMITATIONS PURSUANT TO ARTICLE 9, SECTION 21 OF THE CONSTITUTION.

G. EACH COMMUNITY COLLEGE DISTRICT SHALL SUBMIT A WORKFORCE DEVELOPMENT PLAN BY APRIL 1 OF EACH YEAR TO THE STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES AND THE STATE DEPARTMENT OF COMMERCE. THE PLAN SHALL OUTLINE THE PURPOSE AND GOALS FOR WHICH WORKFORCE DEVELOPMENT FUNDS ARE TO BE EXPENDED BY THE DISTRICT.

H. EACH COMMUNITY COLLEGE DISTRICT SHALL ANNUALLY PRESENT A REPORT OF ITS WORKFORCE DEVELOPMENT PLAN ACTIVITIES AND EXPENDITURES AUTHORIZED BY THIS SECTION FOR THE PREVIOUS YEAR TO THE STATE BOARD OF DIRECTORS OF COMMUNITY COLLEGES BY DECEMBER 1. THE STATE BOARD MAY OFFER RECOMMENDATIONS REGARDING A DISTRICT'S WORKFORCE DEVELOPMENT PLAN FOR FUTURE YEARS.

I. EACH COMMUNITY COLLEGE DISTRICT SHALL ANNUALLY SUBMIT A REPORT OF THE EXPENDITURES AUTHORIZED IN THIS SECTION TO THE GOVERNOR, PRESIDENT OF THE SENATE, SPEAKER OF THE HOUSE OF REPRESENTATIVES, AND THE DEPARTMENT OF COMMERCE BY EACH DECEMBER 1 FOLLOWING THE CLOSE OF THE FISCAL YEAR FOR WHICH THE EXPENDITURES HAVE BEEN MADE. THE REPORT SHALL INCLUDE THE PURPOSE AND GOALS FOR WHICH THE WORKFORCE DEVELOPMENT FUNDS WERE EXPENDED BY EACH DISTRICT ALONG WITH A GENERAL ACCOUNTING OF THE EXPENDITURES AUTHORIZED IN SUBSECTION B OF THIS SECTION. A COPY OF THE FINAL REPORT SHALL ALSO BE PROVIDED TO THE SECRETARY OF STATE AND THE DIRECTOR OF THE DEPARTMENT OF LIBRARY, ARCHIVES AND PUBLIC RECORDS."

Page 33, line 11, after the period insert "THE BOARD MAY ALLOCATE UP TO TWENTY PER CENT OF THE MONIES IN THE FUND TO ISSUE BONDS FOR THIS PURPOSE PURSUANT TO CHAPTER 13, ARTICLE 5 OF THIS TITLE."

Page 41, between lines 10 and 11, insert:

"Sec. 26. Repeal

Section 15-2062, Arizona Revised Statutes, as amended by Laws 2000, chapter 193, section 118, is repealed."

Renumber to conform

Page 41, line 14, strike "At the direction of" insert "ON NOTICE FROM"

Line 15, strike "may invest or reinvest" insert "SHALL INVEST AND DIVEST"

Strike lines 18 through 30, insert:

"1. OBLIGATIONS THAT ARE ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED CORPORATIONS OR INSTRUMENTALITIES.

2. COLLATERALIZED REPURCHASE AGREEMENTS THAT ARE PURCHASED FROM SECURITIES DEALERS THAT MAKE MARKETS IN SECURITIES DESCRIBED IN PARAGRAPH 1.

3. BONDS OR OTHER EVIDENCES OF INDEBTEDNESS OF THIS STATE OR OF COUNTIES, CITIES, TOWNS OR SCHOOL DISTRICTS IN THIS STATE."

Page 45, line 33, strike "AT THE DIRECTION OF" insert "ON NOTICE FROM"

Line 34, strike "MAY INVEST OR REINVEST" insert "SHALL INVEST AND DIVEST"

Strike lines 37 through 44, insert:

"1. OBLIGATIONS THAT ARE ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED CORPORATIONS OR INSTRUMENTALITIES.

2. COLLATERALIZED REPURCHASE AGREEMENTS THAT ARE PURCHASED FROM SECURITIES DEALERS THAT MAKE MARKETS IN SECURITIES DESCRIBED IN PARAGRAPH 1.

3. BONDS OR OTHER EVIDENCES OF INDEBTEDNESS OF THIS STATE OR OF COUNTIES, CITIES, TOWNS OR SCHOOL DISTRICTS IN THIS STATE."

Page 46, strike lines 1 through 6

Page 48, between lines 11 and 12, insert:

"Sec. 30. Title 15, Arizona Revised Statutes, is amended by adding chapter 17, to read:

CHAPTER 17

LOCAL EDUCATION ACCOUNTABILITY PROGRAM

ARTICLE 1. GENERAL PROVISIONS

15-2201. Local education accountability program; phase-in

A. THE LOCAL EDUCATION ACCOUNTABILITY PROGRAM IS ESTABLISHED TO PROVIDE DIRECT FUNDING ASSOCIATED WITH TEACHER SALARIES, AVERAGE DAILY MEMBERSHIP, AND TRANSPORTATION OF PUPILS TO LOCAL INDIVIDUAL SCHOOLS.

B. BY JANUARY 1 OF EACH YEAR, PRINCIPALS OF SCHOOLS NOT PARTICIPATING IN THE LOCAL EDUCATION ACCOUNTABILITY PROGRAM MAY PROVIDE WRITTEN NOTICE TO THE DISTRICT SUPERINTENDENT OF SCHOOLS AND THE DEPARTMENT OF EDUCATION OF INTENT TO APPLY FOR PARTICIPATION IN THE PROGRAM.

C. EACH SCHOOL DISTRICT SHALL, FROM THE APPLICATIONS MADE AND BY MARCH 1 OF EACH YEAR, SELECT AT LEAST ONE SCHOOL TO PARTICIPATE IN THE PROGRAM AND SHALL SELECT ADDITIONAL SCHOOLS AS NECESSARY TO REACH TEN PER CENT OF THE NUMBER OF SCHOOLS IN THE DISTRICT. IF APPLICATIONS ARE REACHED FROM MORE THAN TEN PER CENT OF THE SCHOOLS, THE DISTRICT MAY, AT ITS SOLE OPTION, DETERMINE THE SCHOOLS MAKING UP TEN PER CENT OF THE SCHOOLS IN THE DISTRICT WHICH SHALL PARTICIPATE IN THE PROGRAM. NOTHING IN THIS SECTION SHALL BE CONSTRUED AS A LIMITATION OF THE NUMBER OF SCHOOLS WHICH THE DISTRICT MAY ADMIT TO THE PROGRAM IN ANY ONE YEAR.

D. THE PRINCIPAL OF EACH SCHOOL SELECTED TO PARTICIPATE IN THE PROGRAM MAY:

1. ADOPT A CORPORATE SEAL.

2. CONTRACT, EXCEPT THAT THE PRINCIPAL SHALL NOT ENTER INTO ANY CONTRACT FOR GOODS OR SERVICES IN WHICH THE TOTAL COST OF THE TRANSACTION EXCEEDS FIVE THOUSAND DOLLARS WITHOUT WRITTEN APPROVAL FROM THE SCHOOL DISTRICT GOVERNING BOARD. THE SCHOOL DISTRICT GOVERNING BOARD SHALL APPROVE ANY PROPOSED CONTRACT SUBMITTED BY THE PRINCIPAL PURSUANT TO THIS PARAGRAPH IF THE CONTRACT IS IN PROPER FORM AND IF THE CONTRACT IS FOR A LAWFUL PURPOSE. THE PRINCIPAL SHALL HONOR ANY EXISTING CONTRACTUAL OBLIGATIONS BETWEEN THE SCHOOL DISTRICT AND ANY PROVIDER OF GOODS OR SERVICES TO THE SCHOOL.

3. SUE AND BE SUED.

E. THE PRINCIPAL OF EACH FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL SHALL NEGOTIATE EMPLOYMENT CONTRACTS WITH TEACHERS WHO PROVIDE INSTRUCTION AT THE SCHOOL, EXCEPT THAT THE PRINCIPAL SHALL HONOR ANY EXISTING EMPLOYMENT AGREEMENTS BETWEEN THOSE TEACHERS AND THE SCHOOL DISTRICT. THE SALARY PAID TO A TEACHER WHO PROVIDES INSTRUCTION AT A FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL SHALL NOT BE LESS THAN THE SALARY EARNED BY THAT TEACHER BEFORE THE SCHOOL BECAME FINANCIALLY AND OPERATIONALLY INDEPENDENT AND SHALL NOT BE LESS THAN THE SALARY OFFERED BY THAT SCHOOL DISTRICT TO TEACHERS WITH COMPARABLE WORK EXPERIENCE AND A COMPARABLE LEVEL OF EDUCATION.

F. EACH FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL SHALL PROCURE LIABILITY INSURANCE, PROPERTY DAMAGE INSURANCE, WORKERS' COMPENSATION INSURANCE AND ANY OTHER FORMS OF INSURANCE DEEMED NECESSARY OR DESIRABLE BY THE PRINCIPAL OF THE SCHOOL.

G. TAXPAYERS ARE ELIGIBLE TO RECEIVE A TAX CREDIT PURSUANT TO SECTION 43-1089.01 FOR CONTRIBUTIONS TO FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOLS.

H. A SCHOOL DISTRICT GOVERNING BOARD SHALL NOT TAKE ANY PERSONNEL ACTION AGAINST A PRINCIPAL APPLYING TO PARTICIPATE IN THE LOCAL EDUCATION ACCOUNTABILITY PROGRAM.

I. A SCHOOL DISTRICT GOVERNING BOARD SHALL NOT TAKE ANY PERSONNEL ACTION AGAINST A PRINCIPAL OF A FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL THAT IS DIRECTLY OR INDIRECTLY CONTINGENT ON THE AMOUNT OF SERVICES THAT THE SCHOOL WILL CONTRACT TO PURCHASE FROM THE SCHOOL DISTRICT. AS USED IN THIS SUBSECTION "PERSONNEL ACTION" MEANS ANY OF THE FOLLOWING:

1. A DISCIPLINARY OR CORRECTIVE ACTION.
2. A TRANSFER OR REASSIGNMENT.
3. A SUSPENSION, DEMOTION OR DISMISSAL.
4. AN UNFAVORABLE PERFORMANCE EVALUATION.
5. A REDUCTION IN PAY, BENEFITS OR AWARDS.
6. OTHER SIGNIFICANT CHANGES IN DUTIES OR RESPONSIBILITIES THAT ARE INCONSISTENT WITH THE PRINCIPAL'S SALARY OR EMPLOYMENT CLASSIFICATION.

15-2202. Responsibilities of principals

A. THE PRINCIPAL OF EACH FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL SHALL FOLLOW EXISTING SCHOOL DISTRICT POLICIES UNLESS THE PRINCIPAL PROVIDES WRITTEN NOTIFICATION TO THE SCHOOL DISTRICT GOVERNING BOARD OF ANY MODIFICATIONS TO EXISTING DISTRICT POLICIES THAT WILL BE IN EFFECT AT THE SCHOOL.

B. THE PRINCIPAL OF EACH FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL MAY:

1. RENEW OR DECLINE TO RENEW TEACHER EMPLOYMENT CONTRACTS. THE DISMISSAL OF TEACHERS EMPLOYED AT THE SCHOOL SHALL CONFORM TO CHAPTER 5 OF THIS TITLE AND RULES ADOPTED BY THE STATE BOARD OF EDUCATION FOR THE EVALUATION AND DISMISSAL OF TEACHERS.

2. APPROVE, ADOPT AND PURCHASE ACADEMIC CURRICULA, PUBLICATIONS AND SUPPORTING MATERIALS, NOTWITHSTANDING ANY CURRICULUM ADOPTED BY THE SCHOOL DISTRICT TO THE CONTRARY. ANY CURRICULA ADOPTED BY THE PRINCIPAL SHALL BE IN ACCORDANCE WITH THE ACADEMIC STANDARDS ADOPTED BY THE STATE BOARD OF EDUCATION.

15-2203. Distribution of monies from school districts to schools

A. BY APRIL 1 THE GOVERNING BOARD OF EACH SCHOOL DISTRICT SHALL PROVIDE A DETAILED WRITTEN MENU OF SERVICES THAT THE DISTRICT WILL OFFER TO PROVIDE TO FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOLS. THE COST CHARGED TO THE FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOLS FOR SERVICES PROVIDED BY THE SCHOOL DISTRICT SHALL NOT EXCEED THE COSTS CHARGED TO OTHER SCHOOLS IN THE SCHOOL DISTRICT.

B. AFTER DEDUCTING NECESSARY EXPENSES THAT ARE DIRECTLY RELATED TO THE ADMINISTRATION OF THE SCHOOL DISTRICT, EACH SCHOOL DISTRICT SHALL DISTRIBUTE ALL MONIES THAT ARE ASSOCIATED WITH TEACHER SALARIES, AVERAGE DAILY MEMBERSHIP AND TRANSPORTATION OF PUPILS DIRECTLY TO THE PRINCIPAL OF EACH SCHOOL IN THE SCHOOL DISTRICT IN THE SAME MANNER AS PRESCRIBED FOR SCHOOL DISTRICTS PURSUANT TO SECTION 15-973, SUBSECTION B, EXCEPT THAT SPECIAL EDUCATION WEIGHTED FUNDING PRESCRIBED PURSUANT TO SECTION 15-943 SHALL BE DISTRIBUTED TO AND ADMINISTERED BY THE SCHOOL DISTRICT. THE SCHOOL DISTRICT SHALL ENTER INTO A GOOD FAITH AGREEMENT WITH THE PRINCIPAL FOR THE DISTRIBUTION OF SPECIAL EDUCATION MONIES. THE DISTRIBUTION OF SPECIAL EDUCATION MONIES TO THE FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL NEED NOT NECESSARILY CONFORM TO THE AMOUNT OF THE GROUP B WEIGHTS PRESCRIBED IN SECTION 15-943.

C. BY JUNE 1 THE PRINCIPAL OF EACH INDIVIDUAL SCHOOL SHALL NOTIFY THE GOVERNING BOARD OF THE SCHOOL DISTRICT WHICH, IF ANY, SERVICES THAT THE SCHOOL WILL CONTRACT TO PURCHASE FROM THE SCHOOL DISTRICT.

D. ON JULY 1 OF THE FIRST YEAR OF EACH SCHOOL'S FINANCIAL AND OPERATION INDEPENDENCE FROM THE SCHOOL DISTRICT, THE DEPARTMENT OF EDUCATION SHALL APPORTION TO THE SCHOOL ONE-THIRD OF THE TOTAL AMOUNT OF THE MONIES TO BE APPORTIONED DURING THE FISCAL YEAR THAT ARE ASSOCIATED WITH AVERAGE DAILY MEMBERSHIP AND TRANSPORTATION OF PUPILS.

E. IF THE QUALIFIED ELECTORS OF THE SCHOOL DISTRICT APPROVE A SCHOOL DISTRICT BUDGET OVERRIDE PURSUANT TO SECTION 15-481, A FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOL IS ENTITLED TO THE SAME AMOUNT OF PROCEEDS FROM THE OVERRIDE ELECTION THAT THE SCHOOL WOULD BE ENTITLED TO RECEIVE IF THE SCHOOL WERE NOT FINANCIALLY AND OPERATIONALLY INDEPENDENT FROM THE SCHOOL DISTRICT.

F. THE SCHOOL DISTRICT IS RESPONSIBLE FOR PROVIDING INTERSCHOLASTIC ATHLETIC SERVICES FOR FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOLS. THE SCHOOL DISTRICT MAY CHARGE THE COSTS OF PROVIDING INTERSCHOLASTIC ATHLETIC SERVICES TO FINANCIALLY AND OPERATIONALLY INDEPENDENT SCHOOLS THAT PARTICIPATE IN INTERSCHOLASTIC ATHLETIC ACTIVITIES."

Renumber to conform

Page 54, between lines 26 and 27, insert:

"Sec. 38. Section 43-1089, Arizona Revised Statutes, is amended to read:

43-1089. Credit for contributions to school tuition organization; definitions

A. For taxable years beginning from and after December 31, 1997, a credit is allowed against the taxes imposed by this title for the amount of voluntary cash contributions made by the taxpayer during the taxable year to a school tuition organization, but not exceeding:

1. Five hundred dollars in any taxable year **FOR A SINGLE INDIVIDUAL, A HEAD OF HOUSEHOLD OR EACH MARRIED INDIVIDUAL FILING SEPARATELY.**

2. **SIX HUNDRED TWENTY-FIVE DOLLARS IN ANY TAXABLE YEAR FOR A MARRIED COUPLE FILING A JOINT RETURN.** ~~The five hundred dollar limitation also applies to taxpayers who elect to file a joint return for the taxable year. A husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the tax credit that would have been allowed for a joint return.~~

B. If the allowable tax credit exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry the amount of the claim not used to offset the taxes under this title forward for not more than five consecutive taxable years' income tax liability.

C. The credit allowed by this section is in lieu of any deduction pursuant to section 170 of the internal revenue code and taken for state tax purposes.

D. The tax credit is not allowed if the taxpayer designates the taxpayer's donation to the school tuition organization for the direct benefit of any dependent of the taxpayer.

E. For purposes of this section:

1. "Qualified school" means a nongovernmental primary or secondary school in this state that does not discriminate on the basis of race, color, handicap, familial status or national origin and that satisfies the requirements prescribed by law for private schools in this state on January 1, 1997.

2. "School tuition organization" means a charitable organization in this state that is exempt from federal taxation under section 501(c)(3) of the internal revenue code and that allocates at least ninety per cent of its annual revenue for educational scholarships or tuition grants to children to allow them to attend any qualified school of their parents' choice. In addition, to qualify as a school tuition organization the charitable organization shall provide educational scholarships or tuition grants to students without limiting availability to only students of one school.

Sec. 39. Section 43-1089.01, Arizona Revised Statutes, is amended to read:

43-1089.01. Tax credit; public school fees; definition

A. For taxable years beginning from and after December 31, 1997, a credit is allowed against the taxes imposed by this title for the amount of any fees paid by a taxpayer during the taxable year to a public school located in this state for the support of extracurricular activities of the public school, but not exceeding:

1. Two hundred dollars **FOR A SINGLE INDIVIDUAL, A HEAD OF HOUSEHOLD OR EACH MARRIED INDIVIDUAL FILING SEPARATELY.**

2. **TWO HUNDRED FIFTY DOLLARS FOR A MARRIED COUPLE FILING A JOINT RETURN.**

~~B. The two hundred dollar limitation also applies to taxpayers who elect to file a joint return for the taxable year. A husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the tax credit that would have been allowed for a joint return.~~

~~C. B.~~ B. The credit allowed by this section is in lieu of any deduction pursuant to section 170 of the internal revenue code and taken for state tax purposes.

~~D. C.~~ C. If the allowable tax credit exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry the amount of the claim not used to offset the taxes under this title forward for not more than five consecutive taxable years' income tax liability.

~~E. D.~~ D. For purposes of this section, "extracurricular activities" means school sponsored activities that require enrolled students to pay a fee in order to participate including fees for:

1. Band uniforms.
2. Equipment or uniforms for varsity athletic activities.
3. Scientific laboratory materials."

Renumber to conform

Page 60, line 21, strike "43" insert "48"

Page 60, line 21, strike "43" insert "44"

Amend title to conform

6/12/00

6:05 p.m.

rbc