

REFERENCE TITLE: charter schools; financial requirements; revisions

State of Arizona  
House of Representatives  
Fifty-sixth Legislature  
First Regular Session  
2023

## **HB 2060**

Introduced by  
Representative Grantham

AN ACT

AMENDING SECTIONS 15-183 AND 15-914, ARIZONA REVISED STATUTES; RELATING TO  
CHARTER SCHOOLS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-183, Arizona Revised Statutes, is amended to  
3 read:

4 15-183. Charter schools; application; requirements; immunity;  
5 exemptions; renewal of application; reprisal; fee;  
6 funds; annual reports

7 A. An applicant seeking to establish a charter school shall apply  
8 in writing to a proposed sponsor as prescribed in subsection C of this  
9 section. The application, application process and application time frames  
10 shall be posted on the sponsor's website and shall include the following,  
11 as specified in the application adopted by the sponsor:

- 12 1. A detailed educational plan.
- 13 2. A detailed business plan.
- 14 3. A detailed operational plan.
- 15 4. Any other materials required by the sponsor.

16 B. The sponsor of a charter school may contract with a public body,  
17 private person or private organization for the purpose of establishing a  
18 charter school pursuant to this article.

19 C. The sponsor of a charter school may be either the state board of  
20 education, the state board for charter schools, a university under the  
21 jurisdiction of the Arizona board of regents, a community college district  
22 or a group of community college districts, subject to the following  
23 requirements:

24 1. An applicant may not apply for sponsorship to any person or  
25 entity other than those prescribed in this subsection.

26 2. The applicant may apply to the state board of education or the  
27 state board for charter schools. Notwithstanding any other law, neither  
28 the state board for charter schools nor the state board of education shall  
29 grant a charter to a school district governing board for a new charter  
30 school or for the conversion of an existing district public school to a  
31 charter school. The state board of education or the state board for  
32 charter schools may approve the application if the application meets the  
33 requirements of this article and may approve the charter if the proposed  
34 sponsor determines, within its sole discretion, that the applicant is  
35 sufficiently qualified to operate a charter school and that the applicant  
36 is applying to operate as a separate charter holder by considering factors  
37 such as whether:

38 (a) The schools have separate governing bodies, governing body  
39 membership, staff, facilities and student population.

40 (b) Daily operations are carried out by different administrators.

41 (c) The applicant intends to have an affiliation agreement for the  
42 purpose of providing enrollment preferences.

43 (d) The applicant's charter management organization has multiple  
44 charter holders serving varied grade configurations on one physical site  
45 or nearby sites serving one community.

1 (e) The applicant is reconstituting an existing school site  
2 population at the same or new site.

3 (f) The applicant is reconstituting an existing grade configuration  
4 from a prior charter holder with at least one grade remaining on the  
5 original site with the other grade or grades moving to a new site. The  
6 state board of education or the state board for charter schools may  
7 approve any charter schools transferring charters. If the state board of  
8 education or the state board for charter schools rejects the preliminary  
9 application, the state board of education or the state board for charter  
10 schools shall notify the applicant in writing of the reasons for the  
11 rejection and of suggestions for improving the application. An applicant  
12 may submit a revised application for reconsideration by the state board of  
13 education or the state board for charter schools. The applicant may  
14 request, and the state board of education or the state board for charter  
15 schools may provide, technical assistance to improve the application.

16 3. The applicant may submit the application to a university under  
17 the jurisdiction of the Arizona board of regents, a community college  
18 district or a group of community college districts. A university, a  
19 community college district or a group of community college districts shall  
20 not grant a charter to a school district governing board for a new charter  
21 school or for the conversion of an existing district public school to a  
22 charter school. A university, a community college district or a group of  
23 community college districts may approve the application if it meets the  
24 requirements of this article and if the proposed sponsor determines, in  
25 its sole discretion, that the applicant is sufficiently qualified to  
26 operate a charter school.

27 4. Each applicant seeking to establish a charter school shall  
28 submit a full set of fingerprints to the approving agency for the purpose  
29 of obtaining a state and federal criminal records check pursuant to  
30 section 41-1750 and Public Law 92-544. If an applicant will have direct  
31 contact with students, the applicant shall possess a valid fingerprint  
32 clearance card that is issued pursuant to title 41, chapter 12,  
33 article 3.1. The department of public safety may exchange this  
34 fingerprint data with the federal bureau of investigation. The criminal  
35 records check shall be completed before the issuance of a charter.

36 5. All persons engaged in instructional work directly as a  
37 classroom, laboratory or other teacher or indirectly as a supervisory  
38 teacher, speech therapist or principal and all charter representatives,  
39 charter school governing body members and officers, directors, members and  
40 partners of the charter holder shall have a valid fingerprint clearance  
41 card that is issued pursuant to title 41, chapter 12, article 3.1, unless  
42 the person is a volunteer or guest speaker who is accompanied in the  
43 classroom by a person with a valid fingerprint clearance card. A charter  
44 school shall not employ in any position that requires a valid fingerprint  
45 clearance card a person against whom the state board of education has

1 taken disciplinary action as prescribed in section 15-505 or whose  
 2 certificate has been suspended, surrendered or revoked, unless the  
 3 person's certificate has been subsequently reinstated by the state board  
 4 of education. All other personnel shall be fingerprint checked pursuant  
 5 to section 15-512, or the charter school may require those personnel to  
 6 obtain a fingerprint clearance card issued pursuant to title 41,  
 7 chapter 12, article 3.1. Before employment, the charter school shall make  
 8 documented, good faith efforts to contact previous employers of a person  
 9 to obtain information and recommendations that may be relevant to the  
 10 person's fitness for employment as prescribed in section 15-512,  
 11 subsection F, including checking the educator information system that is  
 12 maintained by the department of education pursuant to section 15-505. The  
 13 charter school shall notify the department of public safety if the charter  
 14 school or sponsor receives credible evidence that a person who possesses a  
 15 valid fingerprint clearance card is arrested for or is charged with an  
 16 offense listed in section 41-1758.03, subsection B. A person who is  
 17 employed at a charter school that has met the requirements of this  
 18 paragraph is not required to meet any additional requirements that are  
 19 established by the department of education or that may be established by  
 20 rule by the state board of education. The state board of education may  
 21 not adopt rules that exceed the requirements for persons who are qualified  
 22 to teach in charter schools prescribed in title I of the every student  
 23 succeeds act (P.L. 114-95) or the individuals with disabilities education  
 24 improvement act of 2004 (P.L. 108-446). Charter schools may hire  
 25 personnel who have not yet received a fingerprint clearance card if proof  
 26 is provided of the submission of an application to the department of  
 27 public safety for a fingerprint clearance card and if the charter school  
 28 that is seeking to hire the applicant does all of the following:

29 (a) Documents in the applicant's file the necessity for hiring and  
 30 placing the applicant before the applicant receives a fingerprint  
 31 clearance card.

32 (b) Ensures that the department of public safety completes a  
 33 statewide criminal records check on the applicant. A statewide criminal  
 34 records check shall be completed by the department of public safety every  
 35 one hundred twenty days until the date that the fingerprint check is  
 36 completed or the fingerprint clearance card is issued or denied.

37 (c) Obtains references from the applicant's current employer and  
 38 the two most recent previous employers except for applicants who have been  
 39 employed for at least five years by the applicant's most recent employer.

40 (d) Provides general supervision of the applicant until the date  
 41 that the fingerprint card is obtained.

42 (e) Completes a search of criminal records in all local  
 43 jurisdictions outside of this state in which the applicant has lived in  
 44 the previous five years.

1 (f) Verifies the fingerprint status of the applicant with the  
2 department of public safety.

3 6. A charter school that complies with the fingerprinting  
4 requirements of this section shall be deemed to have complied with section  
5 15-512 and is entitled to the same rights and protections provided to  
6 school districts by section 15-512.

7 7. If a charter school operator is not already subject to a public  
8 meeting or hearing by the municipality in which the charter school is  
9 located, the operator of a charter school shall conduct a public meeting  
10 at least thirty days before the charter school operator opens a site or  
11 sites for the charter school. The charter school operator shall post  
12 notices of the public meeting in at least three different locations that  
13 are within three hundred feet of the proposed charter school site.

14 8. A person who is employed by a charter school or who is an  
15 applicant for employment with a charter school, who is arrested for or  
16 charged with a nonappealable offense listed in section 41-1758.03,  
17 subsection B and who does not immediately report the arrest or charge to  
18 the person's supervisor or potential employer is guilty of unprofessional  
19 conduct and the person shall be immediately dismissed from employment with  
20 the charter school or immediately excluded from potential employment with  
21 the charter school.

22 9. A person who is employed by a charter school and who is  
23 convicted of any nonappealable offense listed in section 41-1758.03,  
24 subsection B or is convicted of any nonappealable offense that amounts to  
25 unprofessional conduct under section 15-550 shall immediately do all of  
26 the following:

27 (a) Surrender any certificates issued by the department of  
28 education.

29 (b) Notify the person's employer or potential employer of the  
30 conviction.

31 (c) Notify the department of public safety of the conviction.

32 (d) Surrender the person's fingerprint clearance card.

33 D. An entity that is authorized to sponsor charter schools pursuant  
34 to this article has no legal authority over or responsibility for a  
35 charter school sponsored by a different entity. This subsection does not  
36 apply to the state board of education's duty to exercise general  
37 supervision over the public school system pursuant to section 15-203,  
38 subsection A, paragraph 1.

39 E. The charter of a charter school shall do all of the following:

40 1. Ensure compliance with federal, state and local rules,  
41 regulations and statutes relating to health, safety, civil rights and  
42 insurance. The department of education shall publish a list of relevant  
43 rules, regulations and statutes to notify charter schools of their  
44 responsibilities under this paragraph.

- 1           2. Ensure that it is nonsectarian in its programs, admission  
2 policies and employment practices and all other operations.
- 3           3. Ensure that it provides a comprehensive program of instruction  
4 for at least a kindergarten program or any grade between grades one and  
5 twelve, except that a school may offer this curriculum with an emphasis on  
6 a specific learning philosophy or style or certain subject areas such as  
7 mathematics, science, fine arts, performance arts or foreign language.
- 8           4. Ensure that it designs a method to measure pupil progress toward  
9 the pupil outcomes adopted by the state board of education pursuant to  
10 section 15-741.01, including participation in the statewide assessment and  
11 the nationally standardized norm-referenced achievement test as designated  
12 by the state board and the completion and distribution of an annual report  
13 card as prescribed in chapter 7, article 3 of this title.
- 14           5. Ensure that, except as provided in this article and in its  
15 charter, it is exempt from all statutes and rules relating to schools,  
16 governing boards and school districts.
- 17           6. Ensure that, except as provided in this article, it is subject  
18 to the same financial and electronic data submission requirements as a  
19 school district, including ~~the uniform system of financial records as~~  
20 ~~prescribed in chapter 2, article 4 of this title,~~ procurement rules as  
21 prescribed in section 15-213 and audit requirements. **THE CHARTER MAY**  
22 **DESIGNATE THE UNIFORM SYSTEM OF FINANCIAL RECORDS AS PRESCRIBED IN CHAPTER**  
23 **2, ARTICLE 4 OF THIS TITLE AS THE ACCOUNTING SYSTEM, ACCOUNTING METHODS**  
24 **AND ACCOUNTING PROCEDURES THAT THE CHARTER SCHOOL WILL USE TO COMPLY WITH**  
25 **THE FINANCIAL DATA SUBMISSION REQUIREMENTS PRESCRIBED BY LAW.** The auditor  
26 general shall conduct a comprehensive review and revision of the uniform  
27 system of financial records to ensure that the provisions of the uniform  
28 system of financial records that relate to charter schools are in  
29 accordance with commonly accepted accounting principles used by private  
30 business. A school's charter may include exceptions to the requirements  
31 of this paragraph that are necessary as determined by the university, the  
32 community college district, the group of community college districts, the  
33 state board of education or the state board for charter schools. The  
34 department of education or the office of the auditor general may conduct  
35 financial, program or compliance audits.
- 36           7. Ensure compliance with all federal and state laws relating to  
37 the education of children with disabilities in the same manner as a school  
38 district.
- 39           8. Ensure that it provides for a governing body for the charter  
40 school that is responsible for the policy decisions of the charter school.  
41 Notwithstanding section 1-216, if there is a vacancy or vacancies on the  
42 governing body, a majority of the remaining members of the governing body  
43 constitute a quorum for the transaction of business, unless that quorum is  
44 prohibited by the charter school's operating agreement.

1           9. Ensure that it provides a minimum of one hundred eighty  
2 instructional days before June 30 of each fiscal year unless it is  
3 operating on an alternative calendar approved by its sponsor. The  
4 superintendent of public instruction shall adjust the apportionment  
5 schedule accordingly to accommodate a charter school utilizing an  
6 alternative calendar.

7           F. A charter school shall keep in the personnel file of each  
8 current employee who provides instruction to pupils at the charter school  
9 information about the employee's educational and teaching background and  
10 experience in a particular academic content subject area. A charter  
11 school shall inform parents and guardians of the availability of the  
12 information and shall make the information available for inspection on  
13 request of parents and guardians of pupils enrolled at the charter school.  
14 This subsection does not require any charter school to release personally  
15 identifiable information in relation to any teacher or employee, including  
16 the teacher's or employee's address, salary, social security number or  
17 telephone number.

18           G. The charter of a charter school may be amended at the request of  
19 the governing body of the charter school and on the approval of the  
20 sponsor.

21           H. Charter schools may contract, sue and be sued.

22           I. The charter is effective for fifteen years from the first day of  
23 the fiscal year as specified in the charter, subject to the following:

24           1. At least eighteen months before the charter expires, the sponsor  
25 shall notify the charter school that the charter school may apply for  
26 renewal and shall make the renewal application available to the charter  
27 school. A charter school that elects to apply for renewal shall file a  
28 complete renewal application at least fifteen months before the charter  
29 expires. A sponsor shall give written notice of its intent not to renew  
30 the charter school's request for renewal to the charter school at least  
31 twelve months before the expiration of the charter. The sponsor shall  
32 make data used in making renewal decisions available to the school and the  
33 public and shall provide a public report summarizing the evidence basis  
34 for each decision. The sponsor may deny the request for renewal if, in  
35 its judgment, the charter holder has failed to do any of the following:

36           (a) Meet or make sufficient progress toward the academic  
37 performance expectations set forth in the performance framework.

38           (b) Meet the operational performance expectations set forth in the  
39 performance framework or any improvement plans.

40           (c) Meet the financial performance expectations set forth in the  
41 performance framework or any improvement plans.

42           (d) Complete the obligations of the contract.

43           (e) Comply with this article or any provision of law from which the  
44 charter school is not exempt.

1           2. A charter operator may apply for early renewal. At least nine  
2 months before the charter school's intended renewal consideration, the  
3 operator of the charter school shall submit a letter of intent to the  
4 sponsor to apply for early renewal. The sponsor shall review fiscal  
5 audits and academic performance data for the charter school that are  
6 annually collected by the sponsor, review the current contract between the  
7 sponsor and the charter school and provide the qualifying charter school  
8 with a renewal application. On submission of a complete application, the  
9 sponsor shall give written notice of its consideration of the renewal  
10 application. The sponsor may deny the request for early renewal if, in  
11 the sponsor's judgment, the charter holder has failed to do any of the  
12 following:

13           (a) Meet or make sufficient progress toward the academic  
14 performance expectations set forth in the performance framework.

15           (b) Meet the operational performance expectations set forth in the  
16 performance framework or any improvement plans.

17           (c) Meet the financial performance expectations set forth in the  
18 performance framework or any improvement plans.

19           (d) Complete the obligations of the contract.

20           (e) Comply with this article or any provision of law from which the  
21 charter school is not exempt.

22           3. A sponsor shall review a charter at five-year intervals using a  
23 performance framework adopted by the sponsor and may revoke a charter at  
24 any time if the charter school breaches one or more provisions of its  
25 charter or if the sponsor determines that the charter holder has failed to  
26 do any of the following:

27           (a) Meet or make sufficient progress toward the academic  
28 performance expectations set forth in the performance framework.

29           (b) Meet the operational performance expectations set forth in the  
30 performance framework or any improvement plans.

31           (c) Meet the financial performance expectations set forth in the  
32 performance framework or any improvement plans.

33           (d) Comply with this article or any provision of law from which the  
34 charter school is not exempt.

35           4. In determining whether to renew or revoke a charter holder, the  
36 sponsor must consider making sufficient progress toward the academic  
37 performance expectations set forth in the sponsor's performance framework  
38 as one of the most important factors.

39           5. Before the sponsor adopts a determination of intent to revoke a  
40 charter, the charter holder shall have at least thirty days to address the  
41 problems, as necessary or applicable, associated with the reason or  
42 reasons for the determination of intent to revoke. The sponsor is not  
43 required to provide the charter holder with thirty days to correct the  
44 problems associated with the reason or reasons for adopting a  
45 determination of intent to revoke if the reason or reasons cannot be



1 remedied, including a failure to submit required financial audits pursuant  
2 to subsection E, paragraph 6 of this section and section 15-914, or for a  
3 matter of health or safety, or both. Before the sponsor adopts a  
4 determination of intent to revoke a charter, the sponsor shall give  
5 written notice to the charter holder that includes the reason or reasons  
6 for the sponsor's consideration to revoke the charter. Notice may be  
7 provided by electronic means or by United States mail and is effective on  
8 the date of email or, if sent by United States mail, the earlier of the  
9 date of receipt by the charter holder or within five days after the notice  
10 is mailed. The determination of whether to proceed to revocation shall be  
11 made at a public meeting called for that purpose.

12 J. The charter may be renewed for successive periods of twenty  
13 years.

14 K. A charter school that is sponsored by the state board of  
15 education, the state board for charter schools, a university, a community  
16 college district or a group of community college districts may not be  
17 located on the property of a school district unless the district governing  
18 board grants this authority.

19 L. A governing board or a school district employee who has control  
20 over personnel actions shall not take unlawful reprisal against another  
21 employee of the school district because the employee is directly or  
22 indirectly involved in an application to establish a charter school. A  
23 governing board or a school district employee shall not take unlawful  
24 reprisal against an educational program of the school or the school  
25 district because an application to establish a charter school proposes to  
26 convert all or a portion of the educational program to a charter school.  
27 For the purposes of this subsection, "unlawful reprisal" means an action  
28 that is taken by a governing board or a school district employee as a  
29 direct result of a lawful application to establish a charter school and  
30 that is adverse to another employee or an education program and:

31 1. With respect to a school district employee, results in one or  
32 more of the following:

- 33 (a) Disciplinary or corrective action.
- 34 (b) Detail, transfer or reassignment.
- 35 (c) Suspension, demotion or dismissal.
- 36 (d) An unfavorable performance evaluation.
- 37 (e) A reduction in pay, benefits or awards.
- 38 (f) Elimination of the employee's position without a reduction in  
39 force by reason of lack of monies or work.
- 40 (g) Other significant changes in duties or responsibilities that  
41 are inconsistent with the employee's salary or employment classification.

42 2. With respect to an educational program, results in one or more  
43 of the following:

- 44 (a) Suspension or termination of the program.

1 (b) Transfer or reassignment of the program to a less favorable  
2 department.

3 (c) Relocation of the program to a less favorable site within the  
4 school or school district.

5 (d) Significant reduction or termination of funding for the  
6 program.

7 M. Charter schools shall secure insurance for liability and  
8 property loss. The governing body of a charter school that is sponsored  
9 by the state board of education or the state board for charter schools may  
10 enter into an intergovernmental agreement or otherwise contract to  
11 participate in an insurance program offered by a risk retention pool  
12 established pursuant to section 11-952.01 or 41-621.01 or the charter  
13 school may secure its own insurance coverage. The pool may charge the  
14 requesting charter school reasonable fees for any services it performs in  
15 connection with the insurance program.

16 N. Charter schools do not have the authority to acquire property by  
17 eminent domain.

18 O. A sponsor, including members, officers and employees of the  
19 sponsor, is immune from personal liability for all acts done and actions  
20 taken in good faith within the scope of its authority.

21 P. Charter school sponsors and this state are not liable for the  
22 debts or financial obligations of a charter school or persons who operate  
23 charter schools.

24 Q. The sponsor of a charter school shall establish procedures to  
25 conduct administrative hearings on determination by the sponsor that  
26 grounds exist to revoke a charter. Procedures for administrative hearings  
27 shall be similar to procedures prescribed for adjudicative proceedings in  
28 title 41, chapter 6, article 10. Except as provided in section  
29 41-1092.08, subsection H, final decisions of the state board of education  
30 and the state board for charter schools from hearings conducted pursuant  
31 to this subsection are subject to judicial review pursuant to title 12,  
32 chapter 7, article 6.

33 R. The sponsoring entity of a charter school shall have oversight  
34 and administrative responsibility for the charter schools that it  
35 sponsors. In implementing its oversight and administrative  
36 responsibilities, the sponsor shall ground its actions in evidence of the  
37 charter holder's performance in accordance with the performance framework  
38 adopted by the sponsor. The performance framework shall be publicly  
39 available, shall be placed on the sponsoring entity's website and shall  
40 include:

41 1. The academic performance expectations of the charter school and  
42 the measurement of sufficient progress toward the academic performance  
43 expectations.

44 2. The operational expectations of the charter school, including  
45 adherence to all applicable laws and obligations of the charter contract.

1           3. The financial expectations of the charter school.

2           4. Intervention and improvement policies.

3           S. Charter schools may pledge, assign or encumber their assets to  
4 be used as collateral for loans or extensions of credit.

5           T. All property accumulated by a charter school shall remain the  
6 property of the charter school.

7           U. Charter schools may not locate a school on property that is less  
8 than one-fourth mile from agricultural land regulated pursuant to section  
9 3-365, except that the owner of the agricultural land may agree to comply  
10 with the buffer zone requirements of section 3-365. If the owner agrees  
11 in writing to comply with the buffer zone requirements and records the  
12 agreement in the office of the county recorder as a restrictive covenant  
13 running with the title to the land, the charter school may locate a school  
14 within the affected buffer zone. The agreement may include any  
15 stipulations regarding the charter school, including conditions for future  
16 expansion of the school and changes in the operational status of the  
17 school that will result in a breach of the agreement.

18           V. A transfer of a charter to another sponsor, a transfer of a  
19 charter school site to another sponsor or a transfer of a charter school  
20 site to a different charter shall be completed before the beginning of the  
21 fiscal year that the transfer is scheduled to become effective. An entity  
22 that sponsors charter schools may accept a transferring school after the  
23 beginning of the fiscal year if the transfer is approved by the  
24 superintendent of public instruction. The superintendent of public  
25 instruction shall have the discretion to consider each transfer during the  
26 fiscal year on a case-by-case basis. A charter holder seeking to transfer  
27 sponsors shall comply with the current charter terms regarding assignment  
28 of the charter. A charter holder transferring sponsors shall notify the  
29 current sponsor that the transfer has been approved by the new sponsor.

30           W. Notwithstanding subsection V of this section, a charter holder  
31 on an improvement plan must notify parents or guardians of registered  
32 students of the intent to transfer the charter and the timing of the  
33 proposed transfer. On the approved transfer, the new sponsor shall  
34 enforce the improvement plan but may modify the plan based on performance.

35           X. Notwithstanding subsection Y of this section, the state board  
36 for charter schools shall charge a processing fee to any charter school  
37 that amends its contract to participate in Arizona online instruction  
38 pursuant to section 15-808. The charter Arizona online instruction  
39 processing fund is established consisting of fees collected and  
40 administered by the state board for charter schools. The state board for  
41 charter schools shall use monies in the fund only for processing contract  
42 amendments for charter schools participating in Arizona online  
43 instruction. Monies in the fund are continuously appropriated.

44           Y. The sponsoring entity may not charge any fees to a charter  
45 school that it sponsors unless the sponsor has provided services to the

1 charter school and the fees represent the full value of those services  
2 provided by the sponsor. On request, the value of the services provided  
3 by the sponsor to the charter school shall be demonstrated to the  
4 department of education.

5 Z. Charter schools may enter into an intergovernmental agreement  
6 with a presiding judge of the juvenile court to implement a law-related  
7 education program as defined in section 15-154. The presiding judge of  
8 the juvenile court may assign juvenile probation officers to participate  
9 in a law-related education program in any charter school in the county.  
10 The cost of juvenile probation officers who participate in the program  
11 implemented pursuant to this subsection shall be funded by the charter  
12 school.

13 AA. The sponsor of a charter school shall modify previously  
14 approved curriculum requirements for a charter school that wishes to  
15 participate in the board examination system prescribed in chapter 7,  
16 article 6 of this title.

17 BB. If a charter school decides not to participate in the board  
18 examination system prescribed in chapter 7, article 6 of this title,  
19 pupils enrolled at that charter school may earn a Grand Canyon diploma by  
20 obtaining a passing score on the same board examinations.

21 CC. Notwithstanding subsection Y of this section, a sponsor of  
22 charter schools may charge a new charter application processing fee to any  
23 applicant. The application fee shall fully cover the cost of application  
24 review and any needed technical assistance. Authorizers may approve  
25 policies that allow a portion of the fee to be returned to the applicant  
26 whose charter is approved.

27 DD. A charter school may choose to provide a preschool program for  
28 children with disabilities pursuant to section 15-771.

29 EE. Pursuant to the prescribed graduation requirements adopted by  
30 the state board of education, the governing body of a charter school  
31 operating a high school may approve a rigorous computer science course  
32 that would fulfill a mathematics course required for graduation from high  
33 school. The governing body may approve a rigorous computer science course  
34 only if the rigorous computer science course includes significant  
35 mathematics content and the governing body determines the high school  
36 where the rigorous computer science course is offered has sufficient  
37 capacity, infrastructure and qualified staff, including competent teachers  
38 of computer science.

39 FF. A charter school may allow the use of school property,  
40 including school buildings, grounds, buses and equipment, by any person,  
41 group or organization for any lawful purpose, including a recreational,  
42 educational, political, economic, artistic, moral, scientific, social,  
43 religious or other civic or governmental purpose. The charter school may  
44 charge a reasonable fee for the use of the school property.

1 GG. A charter school and its employees, including the governing  
2 body, or chief administrative officer, are immune from civil liability  
3 with respect to all decisions made and actions taken to allow the use of  
4 school property, unless the charter school or its employees are guilty of  
5 gross negligence or intentional misconduct. This subsection does not  
6 limit any other immunity provisions that are prescribed by law.

7 HH. Sponsors authorized pursuant to this section shall submit an  
8 annual report to the auditor general on or before October 1. The report  
9 shall include:

10 1. The current number of charters authorized and the number of  
11 schools operated by authorized charter holders.

12 2. The academic, operational and financial performance of the  
13 sponsor's charter portfolio as measured by the sponsor's adopted  
14 performance framework.

15 3. For the prior year, the number of new charters approved, the  
16 number of charter schools closed and the reason for the closure.

17 4. The sponsor's application, amendment, renewal and revocation  
18 processes, charter contract template and current performance framework as  
19 required by this section.

20 II. The auditor general shall prescribe the format for the annual  
21 report required by subsection HH of this section and may require that the  
22 annual report be submitted electronically. The auditor general shall  
23 review the submitted annual reports to ensure that the reports include the  
24 required items in subsection HH of this section and shall make the annual  
25 reports available on request. If the auditor general finds significant  
26 noncompliance or if a sponsor fails to submit the annual report required  
27 by subsection HH of this section, on or before December 31 of each year  
28 the auditor general shall report to the governor, the president of the  
29 senate, the speaker of the house of representatives and the chairs of the  
30 senate and house education committees or their successor committees, and  
31 the legislature shall consider revoking the sponsor's authority to sponsor  
32 charter schools.

33 Sec. 2. Section 15-914, Arizona Revised Statutes, is amended to  
34 read:

35 15-914. Financial and compliance audits

36 A. The governing board of a school district that is required to  
37 comply with the single audit act amendments of 1996 (P.L. 104-156; 110  
38 Stat. 1396; 31 United States Code sections 7501 through 7507) shall  
39 contract for at least annual financial and compliance audits of financial  
40 transactions and accounts subject to the single audit act amendments of  
41 1996 and kept by or for the school district. The governing board of a  
42 school district that is not required to comply with the single audit act  
43 and that has adopted an expenditure budget of \$2,000,000 or more for the  
44 maintenance and operation fund pursuant to section 15-905 shall contract  
45 for an annual financial statement audit. The governing board of a school

1 district that is not required to comply with the single audit act and that  
 2 has adopted an expenditure budget of less than \$2,000,000 but more than  
 3 \$700,000 for the maintenance and operation fund pursuant to section 15-905  
 4 shall contract for a biennial financial statement audit. An independent  
 5 certified public accountant shall conduct the audit in accordance with  
 6 generally accepted governmental auditing standards. To the extent  
 7 permitted by federal law, a school district that is required to  
 8 participate in an annual audit pursuant to this subsection may convert to  
 9 a biennial audit schedule if the previous annual audit did not contain any  
 10 significant negative findings. If a biennial audit of a school district  
 11 conducted pursuant to this subsection contains any significant negative  
 12 findings, the school district shall convert back to an annual audit  
 13 schedule. If a school district is required to convert back to an annual  
 14 audit schedule pursuant to this subsection because of significant negative  
 15 findings, the school district may subsequently convert to a biennial audit  
 16 schedule if the previous two annual audits did not contain any significant  
 17 negative findings. For the purposes of this subsection, "significant  
 18 negative finding" means a finding that results in the issuance of a letter  
 19 of noncompliance from the auditor general.

20 B. The governing board of a charter school that is required to  
 21 comply with the single audit act amendments of 1996 shall contract for an  
 22 annual financial and compliance audit of financial transactions and  
 23 accounts subject to the single audit act amendments of 1996 and kept by or  
 24 for the charter school.

25 C. A charter school that is not subject to the single audit act  
 26 amendments of 1996 shall contract for at least an annual financial  
 27 statement audit conducted in accordance with generally accepted  
 28 governmental auditing standards. An independent certified public  
 29 accountant shall conduct the audit.

30 D. For all audits referred to in subsections A, B and C of this  
 31 section, the independent certified public accountant shall submit a  
 32 ~~uniform system of financial records~~ compliance questionnaire to the  
 33 auditor general with the applicable audit reports. The school district or  
 34 charter school shall send a paper copy or electronic copy of the  
 35 applicable audit reports to the county school superintendent of the county  
 36 where the school district is located and the department of education. The  
 37 department of education shall make the audit reports available on the  
 38 department's website.

39 E. Contracts for all financial and compliance audits and financial  
 40 statement audits and the completed audits shall be approved by the auditor  
 41 general as provided in section 41-1279.21. Contracts for all financial  
 42 and compliance audits and financial statement audits shall comply with the  
 43 rules for competitive sealed proposals as prescribed by the state board of  
 44 education in section 15-213.

1 F. If the school district or charter school will incur costs of  
2 financial and compliance audits for the budget year, the governing board  
3 of the school district or the governing body of the charter school may  
4 increase its base support level for the budget year by an amount equal to  
5 the amount expended for the district's or charter school's financial and  
6 compliance audits in the year before the current year, increased by the  
7 growth rate as prescribed by law, subject to appropriation. In  
8 determining the amount expended for the district's or charter school's  
9 financial and compliance audits, the school district or charter school  
10 shall include only the portion of the audit that must be paid from monies  
11 other than federal monies. The department of education and the auditor  
12 general shall prescribe a method for determining the increase in the base  
13 support level and shall include in the maintenance and operation section  
14 of the budget format, as provided in section 15-903, a separate line for  
15 financial and compliance audits expenditures.

16 G. Every audit contract shall include a systematic review of  
17 average daily membership, as defined in section 15-901, using methodology  
18 that is consistent with guidelines established by the auditor general.  
19 The auditor general shall consider cost when establishing guidelines  
20 pursuant to this subsection and, to the extent possible, shall attempt to  
21 minimize the cost of the review. The purpose of the review is to  
22 determine whether the average daily membership reported by the charter  
23 school or school district complies with the laws of this state and the  
24 uniform systems of financial records, ~~for charter schools and school~~  
25 ~~districts~~ IF APPLICABLE.

26 H. A school district governing board or a charter school governing  
27 body shall publicly accept all audits and compliance questionnaires by  
28 roll call vote.