

REFERENCE TITLE: charter schools; meetings; reporting; audits

State of Arizona  
Senate  
Fifty-sixth Legislature  
Second Regular Session  
2024

# SB 1481

Introduced by  
Senators Diaz: Alston, Fernandez, Hatathlie, Miranda; Representative  
Hernandez A

## AN ACT

AMENDING SECTIONS 15-181 AND 15-183, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 1, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-183.02; AMENDING SECTIONS 15-184, 15-189.02 AND 15-189.03, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 1, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-189.08; AMENDING SECTIONS 15-213, 15-914.02, 41-1279.03 AND 41-1279.04, 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 15-181, Arizona Revised Statutes, is amended to  
3 read:

4 15-181. Charter schools; purpose; scope; open meetings;  
5 public records; posting; exceptions; definition

6 A. Charter schools may be established pursuant to this article to  
7 provide a learning environment that will improve pupil achievement.  
8 Charter schools provide additional academic choices for parents and  
9 pupils. Charter schools may consist of new schools or all or any portion  
10 of an existing school. Charter schools are public schools that serve as  
11 alternatives to traditional public schools, and charter schools are not  
12 subject to the requirements of article XI, section 1, Constitution of  
13 Arizona, or title 41, chapter 56.

14 B. Charter schools shall comply with all provisions of this article  
15 in order to receive state funding as prescribed in section 15-185.

16 C. EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION, CHARTER  
17 SCHOOLS, CHARTER SCHOOL GOVERNING BODIES, CHARTER SCHOOL SPONSORS, CHARTER  
18 HOLDERS, CHARTER SCHOOL OPERATORS, CORPORATE BOARDS OF DIRECTORS OF  
19 CHARTER SCHOOL OPERATORS AND MANAGEMENT ORGANIZATIONS THAT CONTRACT WITH  
20 CHARTER SCHOOLS SHALL COMPLY WITH BOTH OF THE FOLLOWING:

21 1. THE OPEN MEETING REQUIREMENTS PRESCRIBED IN TITLE 38, CHAPTER 3,  
22 ARTICLE 3.1. NOTICES OF PUBLIC MEETINGS, AGENDAS AND MINUTES MUST BE  
23 PROMINENTLY POSTED ON THE WEBSITE OF THE CHARTER SCHOOL AND THE WEBSITE OF  
24 THE STATE BOARD FOR CHARTER SCHOOLS.

25 2. THE PUBLIC RECORDS REQUIREMENTS PRESCRIBED IN TITLE 39,  
26 CHAPTER 1. PUBLIC RECORDS MUST BE PROMINENTLY POSTED ON THE WEBSITE OF  
27 THE CHARTER SCHOOL AND THE WEBSITE OF THE STATE BOARD FOR CHARTER SCHOOLS.

28 D. CHARTER HOLDER GOVERNING BOARDS, CORPORATE BOARDS OF DIRECTORS  
29 OF CHARTER SCHOOL OPERATORS AND MANAGEMENT ORGANIZATIONS MAY MEET IN  
30 EXECUTIVE SESSION FOR ANY OF THE FOLLOWING PURPOSES:

31 1. FIRING PERSONNEL, IF TWENTY-FOUR HOURS' WRITTEN NOTICE IS  
32 PROVIDED TO THE AFFECTED EMPLOYEE.

33 2. DISCUSSING OR CONSIDERING RECORDS THAT ARE EXEMPT BY LAW FROM  
34 PUBLIC INSPECTION.

35 3. DISCUSSING OR RECEIVING LEGAL ADVICE.

36 4. DISCUSSING OR CONSULTING WITH A LAWYER TO CONSIDER PENDING OR  
37 CONTEMPLATED LITIGATION, SETTLEMENT DISCUSSIONS OR NEGOTIATED CONTRACTS.

38 5. DISCUSSING AND INSTRUCTING REPRESENTATIVES REGARDING LABOR  
39 NEGOTIATIONS.

40 6. DISCUSSING INTERNATIONAL, INTERSTATE AND TRIBAL NEGOTIATIONS.

41 7. DISCUSSING THE PURCHASE, SALE OR LEASE OF REAL PROPERTY.

42 E. FOR THE PURPOSES OF THIS SECTION, "CHARTER HOLDER GOVERNING  
43 BOARD" MEANS THE LIMITED LIABILITY COMPANY OR CORPORATION THAT IS  
44 REGISTERED WITH THE CORPORATION COMMISSION BY THE CHARTER HOLDER.

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

3           15-183. Charter schools; application; requirements; immunity;  
4                   exemptions; renewal of application; reprisal; fee;  
5                   funds; annual reports; definitions

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

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

15           B. The sponsor of a charter school may contract with a public body,  
16 private person or private organization for the purpose of establishing a  
17 charter school pursuant to this article. **BEGINNING JANUARY 1, 2025, THE**  
18 **SPONSOR OF A CHARTER SCHOOL MAY NOT CONTRACT WITH A FOR-PROFIT**  
19 **ORGANIZATION TO ESTABLISH A CHARTER SCHOOL PURSUANT TO THIS ARTICLE.**

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

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

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

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

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

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

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

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

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

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

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

39 5. All persons engaged in instructional work directly as a  
40 classroom, laboratory or other teacher or indirectly as a supervisory  
41 teacher, speech therapist or principal and all charter representatives,  
42 charter school governing body members and officers, directors, members and  
43 partners of the charter holder shall have a valid fingerprint clearance  
44 card that is issued pursuant to title 41, chapter 12, article 3.1, unless  
45 the person is a volunteer or guest speaker who is accompanied in the

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

32 (a) Documents in the applicant's file the necessity for hiring and  
33 placing the applicant before the applicant receives a fingerprint  
34 clearance card.

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

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

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

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

4 (f) Verifies the fingerprint status of the applicant with the  
5 department of public safety.

6 6. A charter school that complies with the fingerprinting  
7 requirements of this section shall be deemed to have complied with section  
8 15-512 and is entitled to the same rights and protections provided to  
9 school districts by section 15-512.

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

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

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

30 (a) Surrender any certificates issued by the department of  
31 education.

32 (b) Notify the person's employer or potential employer of the  
33 conviction.

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

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

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

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

43 1. Ensure compliance with federal, state and local rules,  
44 regulations and statutes relating to health, safety, civil rights and  
45 insurance. The department of education shall publish a list of relevant

1 rules, regulations and statutes to notify charter schools of their  
2 responsibilities under this paragraph.

3 2. Ensure that it is nonsectarian in its programs, admission  
4 policies and employment practices and all other operations.

5 3. Ensure that it provides a comprehensive program of instruction  
6 for at least a kindergarten program or any grade between grades one and  
7 twelve, except that a school may offer this curriculum with an emphasis on  
8 a specific learning philosophy or style or certain subject areas such as  
9 mathematics, science, fine arts, performance arts or foreign language.

10 4. Ensure that it designs a method to measure pupil progress toward  
11 the pupil outcomes adopted by the state board of education pursuant to  
12 section 15-741.01, including participation in the statewide assessment and  
13 the nationally standardized norm-referenced achievement test as designated  
14 by the state board and the completion and distribution of an annual report  
15 card as prescribed in chapter 7, article 3 of this title.

16 5. Ensure that, except as provided in this article and in its  
17 charter, it is exempt from all statutes and rules relating to schools,  
18 governing boards and school districts.

19 6. Ensure that, except as provided in this article, it is subject  
20 to the same financial and electronic data submission requirements as a  
21 school district, including the uniform system of financial records as  
22 prescribed in chapter 2, article 4 of this title, ~~procurement rules as~~  
23 ~~prescribed in section 15-213~~ and audit requirements. The auditor general  
24 shall conduct a comprehensive review and revision of the uniform system of  
25 financial records to ensure that the provisions of the uniform system of  
26 financial records that relate to charter schools are in accordance with  
27 commonly accepted accounting principles used by private business.  
28 ~~A school's charter may include exceptions to the requirements of this~~  
29 ~~paragraph that are necessary as determined by the university, the~~  
30 ~~community college district, the group of community college districts, the~~  
31 ~~state board of education or the state board for charter schools. EACH~~  
32 ~~CHARTER SCHOOL AND CHARTER MANAGEMENT ORGANIZATION THAT ENTERS INTO A~~  
33 ~~MANAGEMENT SERVICES CONTRACT WITH THE CHARTER SCHOOL SHALL ENSURE THAT AN~~  
34 ~~ANNUAL INDEPENDENT AUDIT OF FINANCIAL STATEMENTS IS CONDUCTED AND THAT THE~~  
35 ~~RESULTS OF THAT AUDIT, INCLUDING INDIVIDUAL SALARIES PAID BY THE CHARTER~~  
36 ~~SCHOOL TO THE CHARTER MANAGEMENT ORGANIZATION, AND ANY MANAGEMENT LETTER~~  
37 ~~ISSUED IN CONNECTION WITH THAT AUDIT ARE MADE AVAILABLE TO THE PUBLIC.~~  
38 The department of education or the office of the auditor general ~~may~~ SHALL  
39 conduct financial, program or compliance audits.

40 7. Ensure compliance with all federal and state laws relating to  
41 the education of children with disabilities in the same manner as a school  
42 district.

43 8. ENSURE THAT IT PROVIDES FOR A CHARTER HOLDER GOVERNING BOARD  
44 COMPOSED OF AT LEAST THREE MEMBERS. NOT MORE THAN TWO IMMEDIATE FAMILY  
45 MEMBERS MAY SERVE SIMULTANEOUSLY ON THE CHARTER HOLDER GOVERNING BOARD,

1 AND IMMEDIATE FAMILY MEMBERS MAY NOT CONSTITUTE A MAJORITY OF THOSE BOARD  
2 MEMBERS, EXCEPT THAT:

3 (a) PERSONS RELATED AS IMMEDIATE FAMILY MEMBERS WHO CURRENTLY  
4 RESIDE WITHIN THE SAME HOUSEHOLD OR WHO RESIDED WITHIN THE SAME HOUSEHOLD  
5 AT ANY TIME WITHIN THE PRECEDING FOUR YEARS MAY NOT SERVE SIMULTANEOUSLY  
6 ON THE SAME CHARTER HOLDER GOVERNING BOARD.

7 (b) FOR A CHARTER SCHOOL WITH A STUDENT COUNT OF AT LEAST TWO  
8 HUNDRED FIFTY THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN  
9 FIVE HUNDRED THOUSAND PERSONS, NOT MORE THAN TWO PERSONS RELATED BY  
10 AFFINITY, BY CONSANGUINITY OR BY LAW TO THE THIRD DEGREE MAY SERVE  
11 SIMULTANEOUSLY ON THE SAME CHARTER HOLDER GOVERNING BOARD.

12 ~~8.~~ 9. Ensure that it provides for a governing body for the charter  
13 school that is responsible for the OPERATIONAL AND policy decisions of the  
14 charter school. THERE SHALL BE AT LEAST THREE GOVERNING BODY MEMBERS.  
15 NOT MORE THAN TWO IMMEDIATE FAMILY MEMBERS MAY SERVE SIMULTANEOUSLY ON THE  
16 GOVERNING BODY OF THE SAME CHARTER SCHOOL, AND IMMEDIATE FAMILY MEMBERS  
17 MAY NOT BE A MAJORITY OF THE GOVERNING BODY MEMBERS OF THE SAME CHARTER  
18 SCHOOL. Notwithstanding section 1-216, if there is a vacancy or vacancies  
19 on the governing body, a majority of the remaining members of the  
20 governing body constitute a quorum for the transaction of business, unless  
21 that quorum is prohibited by the charter school's operating agreement.  
22 INDIVIDUALS RELATED AS IMMEDIATE FAMILY MEMBERS WHO CURRENTLY RESIDE  
23 WITHIN THE SAME HOUSEHOLD OR WHO RESIDED WITHIN THE SAME HOUSEHOLD ANY  
24 TIME WITHIN THE PRECEDING FOUR YEARS MAY NOT SERVE SIMULTANEOUSLY ON THE  
25 SAME CHARTER SCHOOL GOVERNING BODY, EXCEPT THAT FOR A CHARTER SCHOOL WITH  
26 A STUDENT COUNT OF AT LEAST TWO HUNDRED FIFTY THAT IS LOCATED IN A COUNTY  
27 WITH A POPULATION OF MORE THAN FIVE HUNDRED THOUSAND PERSONS, NOT MORE  
28 THAN TWO PERSONS RELATED BY AFFINITY, BY CONSANGUINITY OR BY LAW TO THE  
29 THIRD DEGREE MAY SERVE SIMULTANEOUSLY ON THE SAME CHARTER SCHOOL GOVERNING  
30 BODY. FOR THE PURPOSES OF THIS PARAGRAPH, "OPERATIONAL" INCLUDES ALL  
31 APPLICABLE REQUIREMENTS FOR SUPERVISION THAT ARE PRESCRIBED FOR SCHOOL  
32 DISTRICT GOVERNING BOARDS PURSUANT TO SECTION 15-341.

33 ~~9.~~ 10. Ensure that it provides a minimum of one hundred eighty  
34 instructional days before June 30 of each fiscal year unless it is  
35 operating on an alternative calendar approved by its sponsor. The  
36 superintendent of public instruction shall adjust the apportionment  
37 schedule accordingly to accommodate a charter school utilizing an  
38 alternative calendar.

39 11. ENSURE THAT THE CHARTER SCHOOL GOVERNING BODY AND THE CHARTER  
40 HOLDER GOVERNING BOARD COMPLY WITH THE OPEN MEETING REQUIREMENTS  
41 PRESCRIBED IN TITLE 38, CHAPTER 3, ARTICLE 3.1.

42 F. A charter school shall collect and maintain information about  
43 each teacher's educational and teaching background and experience in a  
44 particular academic content subject area. A charter school shall either  
45 post the information on the charter school's website or make the



1 information available for inspection on request of parents and guardians  
2 of pupils enrolled at the charter school. This subsection does not  
3 require any charter school to release personally identifiable information  
4 in relation to any teacher, including the teacher's address, salary,  
5 social security number or telephone number.

6 G. The charter of a charter school may be amended at the request of  
7 the governing body of the charter school and on the approval of the  
8 sponsor.

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

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

12 1. At least eighteen months before the charter expires, the sponsor  
13 shall notify the charter school that the charter school may apply for  
14 renewal and shall make the renewal application available to the charter  
15 school. A charter school that elects to apply for renewal shall file a  
16 complete renewal application at least fifteen months before the charter  
17 expires. A sponsor shall give written notice of its intent not to renew  
18 the charter school's request for renewal to the charter school at least  
19 twelve months before the expiration of the charter. The sponsor shall  
20 make data used in making renewal decisions available to the school and the  
21 public and shall provide a public report summarizing the evidence basis  
22 for each decision. The sponsor may deny the request for renewal if, in  
23 its judgment, the charter holder has failed to do any of the following:

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

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

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

30 (d) Complete the obligations of the contract.

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

33 2. A charter operator may apply for early renewal. At least nine  
34 months before the charter school's intended renewal consideration, the  
35 operator of the charter school shall submit a letter of intent to the  
36 sponsor to apply for early renewal. The sponsor shall review fiscal  
37 audits and academic performance data for the charter school that are  
38 annually collected by the sponsor, review the current contract between the  
39 sponsor and the charter school and provide the qualifying charter school  
40 with a renewal application. On submission of a complete application, the  
41 sponsor shall give written notice of its consideration of the renewal  
42 application. The sponsor may deny the request for early renewal if, in  
43 the sponsor's judgment, the charter holder has failed to do any of the  
44 following:

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

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

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

7 (d) Complete the obligations of the contract.

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

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

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

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

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

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

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

27 5. Before the sponsor adopts a determination of intent to revoke a  
28 charter, the charter holder shall have at least thirty days to address the  
29 problems, as necessary or applicable, associated with the reason or  
30 reasons for the determination of intent to revoke. The sponsor is not  
31 required to provide the charter holder with thirty days to correct the  
32 problems associated with the reason or reasons for adopting a  
33 determination of intent to revoke if the reason or reasons cannot be  
34 remedied, including a failure to submit required financial audits pursuant  
35 to subsection E, paragraph 6 of this section and section 15-914, or for a  
36 matter of health or safety, or both. Before the sponsor adopts a  
37 determination of intent to revoke a charter, the sponsor shall give  
38 written notice to the charter holder that includes the reason or reasons  
39 for the sponsor's consideration to revoke the charter. Notice may be  
40 provided by electronic means or by United States mail and is effective on  
41 the date of email or, if sent by United States mail, the earlier of the  
42 date of receipt by the charter holder or within five days after the notice  
43 is mailed. The determination of whether to proceed to revocation shall be  
44 made at a public meeting called for that purpose.

1 J. The charter may be renewed for successive periods of twenty  
2 years.

3 K. A charter school that is sponsored by the state board of  
4 education, the state board for charter schools, a university, a community  
5 college district or a group of community college districts may not be  
6 located on the property of a school district unless the district governing  
7 board grants this authority.

8 L. A governing board or a school district employee who has control  
9 over personnel actions shall not take unlawful reprisal against another  
10 employee of the school district because the employee is directly or  
11 indirectly involved in an application to establish a charter school. A  
12 governing board or a school district employee shall not take unlawful  
13 reprisal against an educational program of the school or the school  
14 district because an application to establish a charter school proposes to  
15 convert all or a portion of the educational program to a charter school.  
16 For the purposes of this subsection, "unlawful reprisal" means an action  
17 that is taken by a governing board or a school district employee as a  
18 direct result of a lawful application to establish a charter school and  
19 that is adverse to another employee or an education program and:

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

- 22 (a) Disciplinary or corrective action.
- 23 (b) Detail, transfer or reassignment.
- 24 (c) Suspension, demotion or dismissal.
- 25 (d) An unfavorable performance evaluation.
- 26 (e) A reduction in pay, benefits or awards.
- 27 (f) Elimination of the employee's position without a reduction in  
28 force by reason of lack of monies or work.
- 29 (g) Other significant changes in duties or responsibilities that  
30 are inconsistent with the employee's salary or employment classification.

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

- 33 (a) Suspension or termination of the program.
- 34 (b) Transfer or reassignment of the program to a less favorable  
35 department.
- 36 (c) Relocation of the program to a less favorable site within the  
37 school or school district.
- 38 (d) Significant reduction or termination of funding for the  
39 program.

40 M. Charter schools shall secure insurance for liability and  
41 property loss. The governing body of a charter school that is sponsored  
42 by the state board of education or the state board for charter schools may  
43 enter into an intergovernmental agreement or otherwise contract to  
44 participate in an insurance program offered by a risk retention pool  
45 established pursuant to section 11-952.01 or 41-621.01 or the charter

1 school may secure its own insurance coverage. The pool may charge the  
2 requesting charter school reasonable fees for any services it performs in  
3 connection with the insurance program.

4 N. Charter schools do not have the authority to acquire property by  
5 eminent domain.

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

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

12 Q. The sponsor of a charter school shall establish procedures to  
13 conduct administrative hearings on determination by the sponsor that  
14 grounds exist to revoke a charter. Procedures for administrative hearings  
15 shall be similar to procedures prescribed for adjudicative proceedings in  
16 title 41, chapter 6, article 10. Except as provided in section  
17 41-1092.08, subsection H, final decisions of the state board of education  
18 and the state board for charter schools from hearings conducted pursuant  
19 to this subsection are subject to judicial review pursuant to title 12,  
20 chapter 7, article 6.

21 R. The sponsoring entity of a charter school shall have oversight  
22 and administrative responsibility for the charter schools that it  
23 sponsors. In implementing its oversight and administrative  
24 responsibilities, the sponsor shall ground its actions in evidence of the  
25 charter holder's performance in accordance with the performance framework  
26 adopted by the sponsor. The performance framework shall be publicly  
27 available, shall be placed on the sponsoring entity's website and shall  
28 include:

29 1. The academic performance expectations of the charter school and  
30 the measurement of sufficient progress toward the academic performance  
31 expectations.

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

34 3. The financial expectations of the charter school.

35 4. Intervention and improvement policies.

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

38 ~~T. All property accumulated by a charter school shall remain the~~  
39 ~~property of the charter school.~~

40 T. IF A CHARTER SCHOOL CLOSES, ANY ASSET OF THAT CHARTER SCHOOL  
41 THAT WAS ACQUIRED IN WHOLE OR IN PART WITH PUBLIC MONIES SHALL BE RETURNED  
42 TO THIS STATE. THIS SUBSECTION DOES NOT APPLY IF THE PROCEEDS FROM THE  
43 SALE OF A CLOSED CHARTER SCHOOL ARE USED TO FUND THE CAPITAL COSTS FOR A  
44 NEW CAMPUS OF THAT CHARTER SCHOOL.

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

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

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

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

38 Y. The sponsoring entity may not charge any fees to a charter  
39 school that it sponsors unless the sponsor has provided services to the  
40 charter school and the fees represent the full value of those services  
41 provided by the sponsor. On request, the value of the services provided  
42 by the sponsor to the charter school shall be demonstrated to the  
43 department of education.

44 Z. Charter schools may enter into an intergovernmental agreement  
45 with a presiding judge of the juvenile court to implement a law-related

1 education program as defined in section 15-154. The presiding judge of  
2 the juvenile court may assign juvenile probation officers to participate  
3 in a law-related education program in any charter school in the county.  
4 The cost of juvenile probation officers who participate in the program  
5 implemented pursuant to this subsection shall be funded by the charter  
6 school.

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

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

15 CC. Notwithstanding subsection Y of this section, a sponsor of  
16 charter schools may charge a new charter application processing fee to any  
17 applicant. The application fee shall fully cover the cost of application  
18 review and any needed technical assistance. Authorizers may approve  
19 policies that allow a portion of the fee to be returned to the applicant  
20 whose charter is approved.

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

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

33 FF. A charter school may allow the use of school property,  
34 including school buildings, grounds, buses and equipment, by any person,  
35 group or organization for any lawful purpose, including a recreational,  
36 educational, political, economic, artistic, moral, scientific, social,  
37 religious or other civic or governmental purpose. The charter school may  
38 charge a reasonable fee for the use of the school property.

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

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

4 1. The current number of charters authorized and the number of  
5 schools operated by authorized charter holders.

6 2. The academic, operational and financial performance of the  
7 sponsor's charter portfolio as measured by the sponsor's adopted  
8 performance framework.

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

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

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

27 JJ. THE SPONSOR OF A CHARTER SCHOOL SHALL ANNUALLY COMPILE  
28 INFORMATION PERTAINING TO THE GOVERNANCE AND OPERATIONS OF EACH CHARTER  
29 SCHOOL IT SPONSORS. A NONPROFIT CHARTER HOLDER THAT IS RESPONSIBLE FOR  
30 ANNUALLY FILING A FORM 990 WITH THE INTERNAL REVENUE SERVICE MAY MEET THE  
31 RELEVANT DATA REQUIREMENTS PRESCRIBED IN PARAGRAPHS 3 THROUGH 12 OF THIS  
32 SUBSECTION BY SUBMITTING THE CHARTER HOLDER'S FORM 990 TO THE CHARTER  
33 SCHOOL'S SPONSOR. A CHARTER SCHOOL SPONSOR SHALL POST TO ITS PUBLIC  
34 WEBSITE THE FOLLOWING INFORMATION FOR EACH CHARTER SCHOOL IT SPONSORS:

35 1. THE NAMES OF VOTING MEMBERS OF THE CHARTER SCHOOL GOVERNING  
36 BODY.

37 2. THE NUMBER OF INDEPENDENT VOTING MEMBERS OF THE CHARTER SCHOOL  
38 GOVERNING BODY. FOR THE PURPOSES OF THIS PARAGRAPH, "INDEPENDENT VOTING  
39 MEMBERS" MEANS MEMBERS WHO ARE NOT EMPLOYED BY THE CHARTER SCHOOL OR WHO  
40 DO NOT HAVE IMMEDIATE FAMILY MEMBERS OR BUSINESS RELATIONSHIPS WITH THE  
41 CHARTER SCHOOL.

42 3. THE NAMES OF VOTING MEMBERS OF THE CHARTER HOLDER GOVERNING  
43 BOARD.

44 4. THE NUMBER OF INDEPENDENT VOTING MEMBERS OF THE CHARTER HOLDER  
45 GOVERNING BOARD.

- 1           5. THE TOTAL ANNUAL STATE REVENUES RECEIVED.
- 2           6. THE TOTAL ANNUAL REVENUES FROM OTHER SOURCES, INCLUDING GRANTS,
- 3 DONATIONS AND INVESTMENT INCOME.
- 4           7. THE TOTAL ANNUAL EXPENSES.
- 5           8. THE TOTAL ANNUAL REVENUES MINUS TOTAL ANNUAL EXPENSES.
- 6           9. THE TOTAL ASSETS AND LIABILITIES.
- 7           10. THE AUTHORIZATION OF ANY RELATED PARTY TRANSACTION AND THE
- 8 INDIVIDUALS OR ENTITIES THAT ARE PARTY TO THE TRANSACTION, SERVICES OR
- 9 GOODS PROVIDED AND THE TOTAL TRANSACTION COST.
- 10          11. WHETHER THE CHARTER SCHOOL OR CHARTER HOLDER SOLD, EXCHANGED,
- 11 DISPOSED OF OR TRANSFERRED MORE THAN TWENTY-FIVE PERCENT OF THE CHARTER
- 12 SCHOOL'S ASSETS IN THE PREVIOUS FISCAL YEAR.
- 13          12. THE CONFIRMATION OF AN ADOPTED CONFLICT OF INTEREST POLICY AND
- 14 A COPY OF THE ADOPTED POLICY.
- 15          13. IF THE CHARTER SCHOOL OR CHARTER HOLDER CONTRACTS WITH A
- 16 CHARTER MANAGEMENT ORGANIZATION, A WRITTEN STATEMENT THAT DOES ALL OF THE
- 17 FOLLOWING:
  - 18           (a) IDENTIFIES THE CHARTER MANAGEMENT ORGANIZATION AND THE NAME OF
  - 19 THE PERSON OR ENTITY THAT HAS OWNERSHIP OF THE CHARTER MANAGEMENT
  - 20 ORGANIZATION.
  - 21           (b) DESCRIBES THE SERVICES PROVIDED TO THE CHARTER SCHOOL OR
  - 22 CHARTER HOLDER.
  - 23           (c) PROVIDES THE AMOUNT OF MONIES THE CHARTER SCHOOL OR CHARTER
  - 24 HOLDER SPENDS FOR THE CHARTER MANAGEMENT ORGANIZATION'S SERVICES.
  - 25           (d) INCLUDES AN ITEMIZED LIST OF SERVICES THE CHARTER MANAGEMENT
  - 26 ORGANIZATION OFFERS TO THE CHARTER SCHOOL OR CHARTER HOLDER, INCLUDING THE
  - 27 COST FOR EACH SERVICE.
- 28          14. SPENDING DATA THAT THE CHARTER SCHOOL SPONSOR COMPILES FROM
- 29 ANNUAL FINANCIAL REPORTS FOR EACH CHARTER HOLDER IN EACH OF THE FOLLOWING
- 30 CATEGORIES:
  - 31           (a) TEACHER SALARIES.
  - 32           (b) CLASSROOM INSTRUCTION.
  - 33           (c) STUDENT SUPPORT SERVICES.
  - 34           (d) OTHER SUPPORT SERVICES AND OPERATIONS.
  - 35           (e) SPECIAL EDUCATION.
  - 36           (f) ADMINISTRATION.
  - 37           (g) FEDERAL PROJECTS.
  - 38           (h) FACILITIES EXPENSES.
- 39          KK. IF A CHARTER SCHOOL CONTRACTS WITH A CHARTER MANAGEMENT
- 40 ORGANIZATION, NOT MORE THAN TEN PERCENT OF THE CHARTER SCHOOL'S TOTAL
- 41 EXPENDITURES MAY BE SPENT ON ADMINISTRATIVE EXPENSES.
- 42          LL. THE WEBSITE OF EACH CHARTER SCHOOL SHALL INCLUDE A LINK TO THE
- 43 INFORMATION REQUIRED TO BE POSTED ON THE CHARTER SCHOOL SPONSOR'S WEBSITE
- 44 PURSUANT TO SUBSECTION JJ OF THIS SECTION.



1 MM. FOR THE PURPOSES OF THIS SECTION:  
2 1. "CHARTER MANAGEMENT ORGANIZATION":  
3 (a) MEANS AN ORGANIZATION THAT CONTRACTS WITH A CHARTER SCHOOL OR  
4 CHARTER HOLDER TO PROVIDE ACADEMIC SERVICES AND ADMINISTRATIVE SERVICES TO  
5 ONE OR MORE CHARTER SCHOOLS.  
6 (b) INCLUDES AN ORGANIZATION COMMONLY REFERRED TO AS AN EDUCATIONAL  
7 MANAGEMENT ORGANIZATION OR AN EDUCATIONAL SERVICE PROVIDER.  
8 2. "IMMEDIATE FAMILY" HAS THE SAME MEANING PRESCRIBED IN SECTION  
9 15-421.  
10 Sec. 3. Title 15, chapter 1, article 8, Arizona Revised Statutes,  
11 is amended by adding section 15-183.02, to read:  
12 15-183.02. Procurement policies; enforcement  
13 A. ON OR BEFORE JULY 1, 2025, EACH CHARTER SCHOOL IN THIS STATE  
14 SHALL COMPLY WITH THE PROCUREMENT POLICIES PRESCRIBED IN SECTION 15-213.  
15 EACH CHARTER SCHOOL IN THIS STATE SHALL ALSO ADOPT PROCUREMENT POLICIES  
16 THAT INCLUDE ALL OF THE FOLLOWING:  
17 1. A PROHIBITION ON PURCHASING ANY GOOD OR SERVICE FROM ANY OF THE  
18 FOLLOWING PERSONS, UNLESS A MAJORITY OF THE DISINTERESTED MEMBERS OF THE  
19 CHARTER SCHOOL GOVERNING BODY AUTHORIZE THE PURCHASE AFTER FULLY  
20 DISCLOSING THE SUBSTANTIAL INTEREST AND INCLUDE THIS INFORMATION AND A  
21 DESCRIPTION OF THE JUSTIFICATION FOR WHY THE PURCHASE IS IN THE BEST  
22 INTEREST OF THE SCHOOL IN THE MINUTES OF THE MEETING AT WHICH THE  
23 GOVERNING BODY APPROVES THE PURCHASE:  
24 (a) ANY MEMBER OF THE CHARTER HOLDER GOVERNING BOARD OR CHARTER  
25 SCHOOL GOVERNING BODY.  
26 (b) AN IMMEDIATE FAMILY MEMBER OF ANY MEMBER OF THE CHARTER HOLDER  
27 GOVERNING BOARD OR CHARTER SCHOOL GOVERNING BODY.  
28 (c) ANY OTHER ENTITY IN WHICH ANY MEMBER OF THE CHARTER HOLDER  
29 GOVERNING BOARD OR CHARTER SCHOOL GOVERNING BODY OR AN IMMEDIATE FAMILY  
30 MEMBER OF A MEMBER OF THE CHARTER HOLDER GOVERNING BOARD OR CHARTER SCHOOL  
31 GOVERNING BODY MAY HAVE A SUBSTANTIAL INTEREST IN THE PROCUREMENT.  
32 2. A REQUIREMENT THAT, FOR ANY PURCHASE MADE ON BEHALF OF THE  
33 CHARTER SCHOOL BY THE CHARTER SCHOOL OR CHARTER HOLDER THAT THE CHARTER  
34 SCHOOL OR CHARTER HOLDER REASONABLY ANTICIPATES WILL EXCEED \$50,000, THE  
35 CHARTER SCHOOL MAINTAIN RECORDS DEMONSTRATING THAT THE PURCHASE IS IN THE  
36 BEST INTEREST OF THE CHARTER SCHOOL WHEN CONSIDERING THE TOTALITY OF THE  
37 CIRCUMSTANCES. A CHARTER SCHOOL MAY DEMONSTRATE THAT THE PURCHASE IS IN  
38 THE BEST INTEREST OF THE CHARTER SCHOOL THROUGH RESEARCH OF LIKE PRODUCTS  
39 OR SERVICES OR BY RECEIVING MULTIPLE QUOTES. A CHARTER SCHOOL SHALL  
40 MAINTAIN RECORDS OF THE PURCHASE FOR REVIEW DURING THE CHARTER SCHOOL'S  
41 ANNUAL AUDIT. A PROJECT OR PURCHASE MAY NOT BE DIVIDED OR SEQUENCED INTO  
42 SEPARATE PROJECTS OR PURCHASES TO INTENTIONALLY AVOID THE LIMITS  
43 PRESCRIBED IN THIS PARAGRAPH.  
44 3. A REQUIREMENT THAT ANY PURCHASE MADE ON BEHALF OF THE CHARTER  
45 SCHOOL BY THE CHARTER SCHOOL OR CHARTER HOLDER THAT EXCEEDS \$50,000 IS

1 SUBJECT TO PUBLIC BIDDING REQUIREMENTS UNLESS THE PURCHASE IS EXEMPT FROM  
2 PUBLIC BIDDING REQUIREMENTS PURSUANT TO SECTION 15-189.02.

3 4. A REQUIREMENT THAT A COMPLIANCE REVIEW OF A CHARTER SCHOOL'S OR  
4 CHARTER HOLDER'S PROCUREMENT POLICIES AND ACTIVITIES BE INCLUDED IN THE  
5 CHARTER SCHOOL'S ANNUAL AUDIT.

6 B. FEDERAL PROCUREMENT REQUIREMENTS APPLY TO A CHARTER SCHOOL'S  
7 RECEIPT OF CERTAIN FEDERAL MONIES.

8 C. A CHARTER SCHOOL EMPLOYEE WHO HAS CONTROL OVER PERSONNEL ACTIONS  
9 MAY NOT TAKE REPRISAL AGAINST A CHARTER SCHOOL EMPLOYEE FOR THAT  
10 EMPLOYEE'S DISCLOSURE OF INFORMATION RELATING TO A VIOLATION OF THIS  
11 SECTION.

12 D. IF THE SPONSOR OF A CHARTER SCHOOL DETERMINES THAT A VIOLATION  
13 OF THIS SECTION IS OR LIKELY MAY BE OCCURRING, THE SPONSOR MAY REQUEST  
14 THAT THE ATTORNEY GENERAL ENFORCE THIS SECTION AFTER PROVIDING THE CHARTER  
15 SCHOOL WITH A REASONABLE OPPORTUNITY TO RESPOND TO ANY ALLEGATIONS RAISED  
16 AND TO DISCONTINUE AND CORRECT ANY IMPROPER ACTIONS. THE ATTORNEY GENERAL  
17 MAY SEEK RELIEF FOR ANY VIOLATION OF THIS SECTION THROUGH AN APPROPRIATE  
18 CRIMINAL OR CIVIL ACTION IN SUPERIOR COURT. THE ATTORNEY GENERAL MAY USE  
19 THE AUDIT AUTHORITY OF THE AUDITOR GENERAL PURSUANT TO 15-183, SUBSECTION  
20 E, PARAGRAPH 6 TO ENFORCE THIS SECTION.

21 Sec. 4. Section 15-184, Arizona Revised Statutes, is amended to  
22 read:

23 15-184. Charter schools; admissions requirements; parental  
24 classroom visits

25 A. A charter school shall enroll all eligible pupils who submit a  
26 timely application, unless the number of applications exceeds the capacity  
27 of a program, class, grade level or building.

28 B. A charter school shall give enrollment preference to pupils who  
29 are returning to the charter school in the second or any subsequent year  
30 of its operation and to siblings of pupils who are already enrolled in the  
31 charter school.

32 C. A charter school may give enrollment preference to children who  
33 are in foster care or meet the definition of unaccompanied youth  
34 prescribed in the McKinney-Vento homeless assistance act (42 United States  
35 Code section 11434a).

36 D. A charter school may give enrollment preference to and reserve  
37 capacity for pupils who either:

38 1. Are children, grandchildren or legal wards of any of the  
39 following:

- 40 (a) Employees of the school.
- 41 (b) Employees of the charter holder.
- 42 (c) Members of the governing body of the school.
- 43 (d) Directors, officers, partners or board members of the charter

44 holder.

1 2. Attended another charter school or are the siblings of that  
2 pupil if the charter school previously attended by the pupil has the  
3 identical charter holder, board and governing board membership as the  
4 enrolling charter school or is managed by the same educational management  
5 organization, charter management organization or educational service  
6 provider as determined by the charter authorizer.

7 E. If remaining capacity is insufficient to enroll all pupils who  
8 submit a timely application, the charter school shall select pupils  
9 through an equitable selection process such as a lottery except that  
10 preference shall be given to siblings of a pupil who is selected through  
11 an equitable selection process such as a lottery.

12 F. Except as provided in subsections A through D of this section, a  
13 charter school shall not limit admission based on ethnicity, national  
14 origin, gender, income level, disabling condition, proficiency in the  
15 English language or athletic ability.

16 G. A CHARTER SCHOOL SHALL NOT LIMIT ADMISSION BASED ON THE ABILITY  
17 OF A PUPIL OR THE PUPIL'S PARENT OR GUARDIAN TO PROVIDE A FINANCIAL  
18 CONTRIBUTION TO THE CHARTER SCHOOL OR BASED ON ANY AGREEMENT TO VOLUNTEER  
19 AT OR FOR THE CHARTER SCHOOL.

20 ~~H.~~ H. A charter school may limit admission to pupils within a  
21 given age group or grade level.

22 ~~I.~~ I. A charter school may provide instruction to pupils of a  
23 single gender with the approval of the sponsor of the charter school. An  
24 existing charter school may amend its charter to provide instruction to  
25 pupils of a single gender and, if approved by the sponsor of the charter  
26 school, may provide instruction to pupils of a single gender at the  
27 beginning of the next school year.

28 ~~J.~~ J. A charter school may refuse to admit any pupil who has been  
29 expelled from another educational institution or who is in the process of  
30 being expelled from another educational institution.

31 ~~K.~~ K. A charter school governing body must develop and adopt in a  
32 public meeting policies to allow for visits, tours and observations of all  
33 classrooms by parents of enrolled pupils and parents who wish to enroll  
34 their children in the charter school unless a visit, tour or observation  
35 threatens the health and safety of pupils and staff. These policies and  
36 procedures must be easily accessible from the home page on each school's  
37 website.

38 Sec. 5. Section 15-189.02, Arizona Revised Statutes, is amended to  
39 read:

40 15-189.02. Charter schools; exemption; public bidding  
41 requirements

42 ~~A.~~ EXCEPT AS OTHERWISE PROVIDED IN SECTION 15-213, a charter  
43 school's procurement is exempt from public bidding requirements if the  
44 aggregate dollar amount of the procurement does not exceed the maximum

1 amount of the exemption authorized by title 41, chapter 23 or pursuant to  
2 rules adopted by the director of the department of administration.

3 ~~B. Notwithstanding subsection A, the state board for charter  
4 schools may authorize an exemption from public bidding requirements that  
5 exceeds the maximum exemption prescribed in subsection A of this section  
6 for any charter school sponsored by the state board for charter schools.~~

7 Sec. 6. Section 15-189.03, Arizona Revised Statutes, is amended to  
8 read:

9 15-189.03. Academic credits; transfer; withdrawal;  
10 notification

11 A. If a pupil who was previously enrolled in a charter school or  
12 school district enrolls in a charter school in this state, the charter  
13 school shall accept credits earned by the pupil in courses or  
14 instructional programs at the charter school or school district. A  
15 charter school governing ~~board~~ BODY may adopt a policy concerning the  
16 application of transfer credits for the purpose of determining whether a  
17 credit earned by a pupil who was previously enrolled in a school district  
18 or charter school will be assigned as an elective or core credit.

19 B. A pupil who transfers from a charter school or school district  
20 shall be provided with a list that indicates which credits have been  
21 accepted as ~~an~~ elective ~~credit~~ CREDITS and which credits have been  
22 accepted as ~~a~~ core ~~credit~~ CREDITS by the charter school. Within ten  
23 school days after receiving the list, ~~a~~ THE pupil may request to take an  
24 examination in each particular course in which core credit has been  
25 denied. The charter school shall accept the credit as a core credit for  
26 each particular course in which the pupil takes an examination and  
27 receives a passing score on a test THAT IS designed and evaluated by a  
28 teacher in the charter school who teaches the subject matter on which the  
29 examination is based.

30 C. IF A PUPIL WITHDRAWS OR TRANSFERS FROM A CHARTER SCHOOL DURING  
31 THE SCHOOL YEAR, THE CHARTER SCHOOL SHALL REPORT THE WITHDRAWAL OR  
32 TRANSFER TO THE DEPARTMENT OF EDUCATION WITHIN TWO WEEKS AFTER THE  
33 WITHDRAWAL OR TRANSFER. THE DEPARTMENT SHALL ADJUST THE AVERAGE DAILY  
34 MEMBERSHIP OF THE CHARTER SCHOOL TO ACCOUNT FOR THAT PUPIL'S WITHDRAWAL OR  
35 TRANSFER AT THE NEXT SCHEDULED DISTRIBUTION OF STATE AID TO THAT CHARTER  
36 SCHOOL.

37 Sec. 7. Title 15, chapter 1, article 8, Arizona Revised Statutes,  
38 is amended by adding section 15-189.08, to read:

39 15-189.08. Charter school audits; list of acceptable  
40 auditors; form of audit; reports

41 AN AUDIT OF A CHARTER SCHOOL THAT IS CONDUCTED PURSUANT TO THIS  
42 TITLE MUST:

43 1. FOLLOW A STANDARD FORMAT THAT REQUIRES DETAILED AND SUPPORTING  
44 INFORMATION ON ASSETS AND LIABILITIES, REVENUES AND EXPENDITURES AND  
45 RELATED PARTY EXPENSES.

- 1           2. BE CONDUCTED BY AN AUDITOR WHO MEETS ALL OF THE FOLLOWING:  
2           (a) IS LOCATED IN THIS STATE.  
3           (b) HAS DEMONSTRATED EXPERTISE IN THE LAWS OF THIS STATE.  
4           (c) IS ON A LIST OF ACCEPTABLE AUDITORS ESTABLISHED AND MAINTAINED  
5 BY THE STATE BOARD FOR CHARTER SCHOOLS THAT USES DATA EXTRACTED FROM  
6 AUDITS TO DETERMINE WHICH AUDITORS ARE CURRENTLY PROVIDING ACCEPTABLE  
7 LEVELS OF INFORMATION. THE STATE BOARD FOR CHARTER SCHOOLS SHALL UPDATE  
8 THIS LIST ANNUALLY.
- 9           3. BE COMPLETED INDIVIDUALLY FOR EACH CHARTER ENTITY. A  
10 CONSOLIDATED AUDIT MAY BE PREPARED COLLATING DATA REQUIRED PURSUANT TO  
11 THIS PARAGRAPH.
- 12           4. BE COMPLETED INDIVIDUALLY FOR EACH CHARTER SCHOOL SEPARATE FROM  
13 ANY LARGER ENTITY THAT INCLUDES THAT CHARTER SCHOOL. A CONSOLIDATED AUDIT  
14 MAY BE PREPARED COLLATING DATA REQUIRED PURSUANT TO THIS PARAGRAPH.
- 15           5. INCLUDE AUDIT REPORTS THAT ARE NUMERICALLY IDENTICAL TO WHAT IS  
16 PROVIDED IN INTERNAL REVENUE SERVICE FORM 990 AND ASSOCIATED ANNUAL  
17 FINANCIAL REPORTS. THE AUDIT REPORT MUST EXPLAIN ANY INCONSISTENCY AND  
18 INCLUDE SPECIFIC PLANS ON HOW THE SUBJECT OF THE AUDIT INTENDS TO REMEDY  
19 THE INCONSISTENCY IN THE FUTURE.
- 20           6. IDENTIFY THE SOURCE OF ANY PROFIT DISTRIBUTION THAT EXCEEDS NET  
21 PROFITS FOR THAT YEAR.

22           Sec. 8. Section 15-213, Arizona Revised Statutes, is amended to  
23 read:

24           15-213. Procurement practices of school districts;  
25                                   violations; classification; definitions

26           A. The state board of education shall adopt rules prescribing  
27 procurement practices for all school districts in this state as follows:

- 28           1. The state board shall submit to the auditor general proposed  
29 rules consistent with the procurement practices prescribed in title 41,  
30 chapter 23, modifying the provisions for public notice of invitation for  
31 bids, requests for proposals and requests for qualifications to allow a  
32 governing board to give public notice of the invitation for bids, requests  
33 for proposals and requests for qualifications by publication in the  
34 official newspaper of the county as prescribed in section 11-255,  
35 modifying the provisions relating to disposal of materials to comply with  
36 section 15-342, paragraph 18, providing for governing board delegation of  
37 procurement authority and modifying as necessary other provisions that the  
38 state board determines are not appropriate for school districts. The  
39 rules shall include provisions specifying that school districts are not  
40 required to engage in competitive bidding in order to make the decision to  
41 participate in programs pursuant to section 15-382 and that a program  
42 authorized by section 15-382 is not required to engage in competitive  
43 bidding for the services necessary to administer the program or for  
44 purchase of insurance or reinsurance. The rules shall include provisions  
45 specifying that school districts are not required to engage in competitive

1 bidding in order to place a pupil in a private school that provides  
 2 special education services if such a placement is prescribed in the  
 3 pupil's individualized education program and the private school has been  
 4 approved by the department of education division of special education  
 5 pursuant to section 15-765, subsection D. This placement is not subject  
 6 to rules adopted by the state board of education before November 24, 2009  
 7 pursuant to this section. The rules for procurement of construction  
 8 projects shall include provisions specifying that surety bonds furnished  
 9 as bid security and performance and payment bonds shall be executed and  
 10 furnished as required by title 34, chapter 2 or 6, as applicable. The  
 11 rules shall specify the total cost of a procurement that is subject to  
 12 invitations for bids, requests for proposals and requests for  
 13 clarification, using the aggregate dollar amount limits for procurements  
 14 prescribed in section 41-2535. The rules must follow the prompt payment  
 15 requirements prescribed in sections 41-2576 and 41-2577 except for  
 16 external funding that has not yet been received.

17 2. The state board of education shall adopt rules for procurements  
 18 involving construction not exceeding \$150,000, which shall be known as the  
 19 simplified school construction procurement program. At a minimum, the  
 20 rules for a simplified construction procurement program shall require  
 21 that:

22 (a) Each county school superintendent maintain a list of persons  
 23 who desire to receive solicitations to bid on construction projects to  
 24 which additions shall be allowed throughout the year.

25 (b) The list of persons be available for public inspection.

26 (c) A performance bond and a payment bond as required by this  
 27 section be provided for contracts for construction by contractors.

28 (d) All bids for construction be opened at a public opening and  
 29 THAT the bids ~~shall~~ remain confidential until the public opening.

30 (e) All persons desiring to submit bids be treated equitably and  
 31 THAT the information related to each project be available to all eligible  
 32 persons.

33 (f) Competition for construction projects under the simplified  
 34 school construction procurement program be encouraged to the maximum  
 35 extent possible. At a minimum, a school district shall submit information  
 36 on each project to all persons listed with the county school  
 37 superintendent by any school district within that county.

38 (g) A provision, covenant, clause or understanding in, collateral  
 39 to or affecting a construction contract that makes the contract subject to  
 40 the laws of another state or that requires any litigation, arbitration or  
 41 other dispute resolution proceeding arising from the contract to be  
 42 conducted in another state is against this state's public policy and is  
 43 void and unenforceable.

44 3. The state board of education shall adopt rules for the  
 45 procurement of goods and information services by school districts ~~and~~

1 ~~charter schools~~ using electronic, online bidding. The rules adopted by  
2 the state board shall include the use of reverse auctions and shall be  
3 consistent with the procurement practices prescribed in title 41, chapter  
4 23, article 13, modifying as necessary those provisions and the rules  
5 adopted pursuant to that article that the state board determines are not  
6 appropriate for school districts ~~and charter schools~~. Until the rules are  
7 adopted, school districts ~~and charter schools~~ may procure goods and  
8 information services pursuant to title 41, chapter 23, article 13 using  
9 the rules adopted by the department of administration in implementing that  
10 article.

11 4. The state board shall adopt rules for the procurement by school  
12 districts of any materials, services, goods, construction or construction  
13 services that ensure maximum practicable competition as prescribed in  
14 section 41-2565 and shall require that a person:

15 (a) That contracts for or purchases any materials, services, goods,  
16 construction or construction services in a manner contrary to the rules  
17 adopted by the state board pursuant to this section is personally liable  
18 for the recovery of all public monies paid plus twenty percent of that  
19 amount and legal interest from the date of payment and all costs and  
20 damages arising out of the violation as prescribed in section 41-2616.

21 (b) That intentionally or knowingly contracts for or purchases any  
22 materials, services, goods, construction or construction services pursuant  
23 to a scheme or artifice to avoid the rules adopted by the state board  
24 pursuant to this section is guilty of a class 4 felony as prescribed in  
25 section 41-2616.

26 (c) That prepares procurement specifications may not receive any  
27 direct or indirect benefit from using those specifications.

28 (d) That serves on a selection committee for a procurement may not  
29 be a contractor or subcontractor under a contract awarded under the  
30 procurement or provide any specified professional services, construction,  
31 construction services, materials or other services under the contract. A  
32 person that serves on a selection committee for a procurement and that  
33 fails to disclose contact with a representative of a competing vendor or  
34 fails to provide required accurate information is subject to a civil  
35 penalty as prescribed in section 41-2616.

36 5. The state board shall adopt rules requiring school districts to  
37 obtain and maintain a record of proof that a construction or construction  
38 services provider that has been awarded a contract with the school  
39 district, or school purchasing cooperative, has a valid license to  
40 practice in this state.

41 6. The auditor general shall review the proposed rules to determine  
42 whether the rules are consistent with the procurement practices prescribed  
43 in title 41, chapter 23 and any modifications are required to adapt the  
44 procedures for school districts.

1           7. If the auditor general approves the proposed rules, the auditor  
2 general shall notify the state board in writing and the state board shall  
3 adopt such rules.

4           8. If the auditor general objects to the proposed rules, the  
5 auditor general shall notify the state board of the objections in writing  
6 and the state board, in adopting the rules, shall conform the proposed  
7 rules to meet the objections of the auditor general or revise the proposed  
8 rules to which an objection has been made and submit the revisions to the  
9 auditor general for approval.

10          B. After the bids submitted in response to an invitation for bids  
11 are opened and the award is made or after the proposals or qualifications  
12 are submitted in response to a request for proposals or a request for  
13 qualifications and the award is made, the governing board shall make  
14 available for public inspection all information, all bids, proposals and  
15 qualifications submitted and all findings and other information considered  
16 in determining whose bid conforms to the invitation for bids and will be  
17 the most advantageous with respect to price, conformity to the  
18 specifications and other factors or whose proposal or qualifications are  
19 to be selected for the award, including the rationale for awarding a  
20 contract for any specified professional services, construction,  
21 construction services or materials to an entity selected from a qualified  
22 select bidders list or through a school purchasing cooperative. The  
23 invitation for bids, request for proposals or request for qualifications  
24 shall include a notice that all information and bids, proposals and  
25 qualifications submitted will be made available for public inspection.  
26 The rules adopted by the state board shall prohibit the use in connection  
27 with procurement of specifications in any way proprietary to one supplier  
28 unless the specification includes all of the following:

29           1. A statement of the reasons no other specification is  
30 practicable.

31           2. A description of the essential characteristics of the specified  
32 product.

33           3. A statement specifically allowing an acceptable alternative  
34 product to be supplied.

35          C. A project or purchase may not be divided or sequenced into  
36 separate projects or purchases in order to avoid the limits prescribed by  
37 the state board under subsection A of this section.

38          D. A contract for the procurement of construction or construction  
39 services shall include a provision that provides for negotiations between  
40 the school district and the contractor for the recovery of damages related  
41 to expenses incurred by the contractor for a delay for which the school  
42 district is responsible, that is unreasonable under the circumstances and  
43 that was not within the contemplation of the parties to the contract.  
44 This subsection does not void any provision in the contract that requires



1 notice of delays, provides for arbitration or any other procedure for  
2 settlement or provides for liquidated damages.

3 E. The auditor general may conduct discretionary reviews,  
4 investigations and audits of the financial and operational procurement  
5 activities of school districts, ~~nonexempt charter schools~~ and school  
6 purchasing cooperatives. The auditor general has final review and  
7 approval authority over all school district, ~~nonexempt charter school~~ and  
8 school purchasing cooperative audit contracts and any audit reports issued  
9 in accordance with this section. If the attorney general has reasonable  
10 cause to believe an employee of a school district or school purchasing  
11 cooperative, or an employee of an entity that has been awarded a contract  
12 by a school district or school purchasing cooperative, has engaged in, is  
13 engaging in or is about to engage in any practice or transaction that  
14 violates the rules adopted by the state board of education pursuant to  
15 this section, the attorney general may:

16 1. Require that person to file on forms prescribed by the attorney  
17 general a statement or report in writing and under oath as to all the  
18 facts and circumstances concerning a violation of the rules adopted by the  
19 state board pursuant to this section by that person and any other data and  
20 information deemed necessary by the attorney general.

21 2. Examine under oath any person in connection with a violation of  
22 the rules adopted by the state board pursuant to this section.

23 F. In addition to the requirements of sections 15-914 and  
24 15-914.01, school districts, ~~nonexempt charter schools~~ and school  
25 purchasing cooperatives, in connection with any audit conducted by a  
26 certified public accountant, shall contract for a systematic review of  
27 purchasing practices using methodology consistent with sampling guidelines  
28 established by the auditor general. The auditor general shall consider  
29 cost when establishing guidelines pursuant to this subsection and to the  
30 extent possible shall attempt to minimize the cost of the review. The  
31 purpose of the review is to determine whether the school  
32 district, ~~nonexempt charter school~~ or school purchasing cooperative is in  
33 compliance with the procurement laws and applicable procurement rules of  
34 this state. A copy of the review shall be submitted on completion to the  
35 auditor general. The auditor general may conduct discretionary reviews of  
36 school districts, ~~nonexempt charter schools~~ and school purchasing  
37 cooperatives that are not required to contract for independent audits.

38 G. A school district school employee who has control over personnel  
39 actions may not take reprisal against a school district school employee  
40 for that employee's disclosure of information that is a matter of public  
41 concern, including a violation of this section, to a public body pursuant  
42 to title 38, chapter 3, article 9.

43 H. The attorney general or county attorney has jurisdiction to  
44 enforce this section. The attorney general or county attorney may seek  
45 relief for any violation of this section through an appropriate civil or

1 criminal action in superior court, including an action to enjoin a  
2 threatened or pending violation of this section and including an action to  
3 enforce compliance with any request for documents made by the auditor  
4 general pursuant to this section.

5 I. The department of education shall enact policies and procedures  
6 for the acceptance and disposition of complaints from the public regarding  
7 school procurement practices and shall forward all school procurement  
8 complaints to the attorney general. Notwithstanding rules adopted by the  
9 state board, school districts shall not be required to prepare or submit  
10 an annual report on the benefits associated with the use of  
11 construction-manager-at-risk, design-build, qualified select bidders list  
12 and job-order-contracting methods.

13 J. The state board of education shall adopt, and the auditor  
14 general shall review, rules authorizing school districts to procure  
15 construction services by construction-manager-at-risk, design-build,  
16 qualified select bidders list and job-order-contracting methods of project  
17 delivery. The rules shall not require school districts to obtain bid  
18 security for the construction-manager-at-risk method of project delivery.

19 K. A school district ~~or charter school~~ may evaluate United States  
20 general services administration contracts for materials and services. The  
21 governing board ~~or governing body~~ may authorize purchases under a current  
22 contract for materials or services without complying with the requirements  
23 of the procurement rules adopted by the state board of education if the  
24 governing board ~~or governing body~~ determines in writing that all of the  
25 following apply:

26 1. The price for materials or services is equal to or less than the  
27 contractor's current federal supply contract price with the general  
28 services administration.

29 2. The contractor has indicated in writing that the contractor is  
30 willing to extend the current federal supply contract pricing, terms and  
31 conditions to the school district ~~or charter school~~.

32 3. The purchase order adequately identifies the federal supply  
33 contract on which the order is based.

34 4. The purchase contract is cost effective and is in the best  
35 interests of the school district ~~or charter school~~.

36 L. Unless otherwise provided by law, multiterm contracts for  
37 materials or services and contracts for job-order-contracting construction  
38 services may be entered into if the duration of the contract and the  
39 conditions of renewal or extension, if any, are included in the invitation  
40 for bids or the request for proposals and if monies are available for the  
41 first fiscal period at the time the contract is executed. The duration of  
42 contracts for materials or services and contracts for  
43 job-order-contracting construction services ~~are~~ IS limited to not more  
44 than five years unless the governing board determines in writing before  
45 the procurement solicitation is issued that a contract of longer duration

1 would be advantageous to the school district. Payment and performance  
2 obligations for succeeding fiscal periods are subject to the availability  
3 and appropriation of monies.

4 M. Notwithstanding the rules adopted by the state board of  
5 education, the maximum dollar amount of an individual job order for  
6 job-order-contracting construction services is \$1,000,000 or a higher or  
7 lower amount prescribed by the governing board in a policy adopted in a  
8 public meeting held pursuant to title 38, chapter 3, article 3.1.  
9 Requirements shall not be artificially divided or fragmented in order to  
10 constitute a job order that satisfies the requirements of this subsection.

11 N. A person who supervises or participates in contracts, purchases,  
12 payments, claims or other financial transactions, or a person who  
13 supervises or participates in ~~the~~ planning, recommending, selecting or  
14 contracting for materials, services, goods, construction, or construction  
15 services of a school district or school purchasing cooperative, is guilty  
16 of a class 6 felony if the person solicits, accepts or agrees to accept  
17 any personal gift or benefit with a value of \$300 or more from a person or  
18 vendor that has secured or has taken steps to secure a contract, purchase,  
19 payment, claim or financial transaction with the school district or school  
20 purchasing cooperative. Soliciting, accepting or agreeing to accept any  
21 personal gift or benefit with a value of less than \$300 is a class 1  
22 misdemeanor. A gift or benefit does not include an item of nominal value  
23 such as a greeting card, t-shirt, mug or pen.

24 O. Any person or vendor that has secured or has taken steps to  
25 secure a contract, purchase, payment, claim or financial transaction with  
26 a school district or school purchasing cooperative that offers, confers or  
27 agrees to confer any personal gift or benefit with a value of \$300 or more  
28 on a person who supervises or participates in contracts, purchases,  
29 payments, claims or other financial transactions, or on a person who  
30 supervises or participates in planning, recommending, selecting or  
31 contracting for materials, services, goods, construction or construction  
32 services of a school district or school purchasing cooperative, is guilty  
33 of a class 6 felony. Offering, conferring or agreeing to confer any  
34 personal gift or benefit with a value of less than \$300 is a class 1  
35 misdemeanor. A gift or benefit does not include an item of nominal value  
36 such as a greeting card, t-shirt, mug or pen.

37 P. Any person or vendor **THAT IS** convicted under subsection O of  
38 this section may be suspended for up to six months or barred for up to  
39 three years by the director of the department of administration from doing  
40 business with school districts and school purchasing cooperatives. The  
41 director of the department of administration shall adopt rules, including  
42 administrative procedures, to suspend or bar any person from consideration  
43 for award of contracts pursuant to this section.

1 Q. For the purposes of this section:

2 1. "Gift or benefit":

3 (a) Means a payment, distribution, expenditure, advance, deposit or  
4 donation of monies, any intangible personal property or any kind of  
5 tangible personal or real property. ~~Gift or benefit~~

6 (b) Does not include either:

7 ~~(a)~~ (i) Food or beverage.

8 ~~(b)~~ (ii) Expenses or sponsorships relating to a special event or  
9 function to which individuals listed in subsection N of this section are  
10 invited.

11 ~~2. "Nonexempt charter school" means a charter school that is not~~  
12 ~~exempted from procurement laws pursuant to section 15-183, subsection E,~~  
13 ~~paragraph 6.~~

14 ~~3.~~ 2. "School purchasing cooperative" means an entity that is  
15 engaged in cooperative purchasing as defined in section 41-2631.

16 ~~4.~~ 3. "Total cost" means the cost of all materials and services,  
17 including the cost of labor performed by employees of the school district,  
18 for all construction as provided in subsection A of this section.

19 Sec. 9. Section 15-914.02, Arizona Revised Statutes, is amended to  
20 read:

21 15-914.02. School districts; charter schools; audit

22 A school district OR CHARTER SCHOOL that is subject to audit  
23 pursuant to section 41-1279.03 shall comply with the reporting, follow-up  
24 and hearing participation requirements of that section.

25 Sec. 10. Section 41-1279.03, Arizona Revised Statutes, is amended  
26 to read:

27 41-1279.03. Powers and duties

28 A. The auditor general shall:

29 1. Prepare an audit plan for approval by the committee and report  
30 to the committee the results of each audit and investigation and other  
31 reviews conducted by the auditor general.

32 2. Conduct or cause to be conducted annual financial and compliance  
33 audits of financial transactions and accounts kept by or for all state  
34 agencies subject to the federal single audit requirements. The audits  
35 shall be conducted in accordance with generally accepted governmental  
36 auditing standards and accordingly shall include tests of the accounting  
37 records and other auditing procedures as may be considered necessary in  
38 the circumstances. The audits shall include the issuance of suitable  
39 reports as required by the federal single audit requirements so that the  
40 legislature, the federal government and others will be informed as to the  
41 adequacy of financial statements of this state in compliance with  
42 generally accepted accounting principles and to determine whether this  
43 state has complied with laws and regulations that may have a material  
44 effect on the financial statements and on major federal assistance  
45 programs.

1           3. Perform procedural reviews for all state agencies at times  
2 determined by the auditor general. These reviews may include evaluation  
3 of administrative and accounting internal controls and reports on these  
4 reviews.

5           4. Perform special research requests, special audits and related  
6 assignments as designated by the committee and conduct performance audits,  
7 special audits, special research requests and investigations of any state  
8 agency, whether created by the constitution or otherwise, as may be  
9 requested by the committee.

10          5. Annually on or before the fourth Monday of December, prepare a  
11 written report to the governor and to the committee that contains a  
12 summary of activities for the previous fiscal year.

13          6. In the fifth year and in each fifth year thereafter in which a  
14 transportation excise tax is in effect in a county as provided in section  
15 42-6106 or 42-6107, conduct a performance audit that:

16           (a) Reviews past expenditures and future planned expenditures of  
17 the transportation excise revenues and determines the impact of the  
18 expenditures in solving transportation problems within the county and, for  
19 a transportation excise tax in effect in a county as provided in section  
20 42-6107, determines whether the expenditures of the transportation excise  
21 revenues comply with section 28-6392, subsection B.

22           (b) Reviews projects completed to date and projects to be completed  
23 during the remaining years in which a transportation excise tax is in  
24 effect. Within six months after each review period, the auditor general  
25 shall present a report to the speaker of the house of representatives and  
26 the president of the senate detailing findings and making recommendations.

27           (c) Reviews, determines, reports and makes recommendations to the  
28 speaker of the house of representatives and the president of the senate  
29 whether the distribution of Arizona highway user revenues complies with  
30 title 28, chapter 18, article 2.

31          7. If requested by the committee, conduct performance audits of  
32 counties and incorporated cities and towns receiving Arizona highway user  
33 revenue fund monies pursuant to title 28, chapter 18, article 2 to  
34 determine whether the monies are being spent as provided in section  
35 28-6533, subsection B.

36          8. Perform special audits designated pursuant to law if the auditor  
37 general determines that there are adequate monies appropriated for the  
38 auditor general to complete the audit. If the auditor general determines  
39 the appropriated monies are inadequate, the auditor general shall notify  
40 the **JOINT LEGISLATIVE AUDIT** committee. Based on information provided by  
41 the auditor general, for any legislative measure that requires the auditor  
42 general to perform a special audit, the joint legislative budget committee  
43 staff shall notify all the members of the legislature as soon as  
44 practicable of the cost to conduct the special audit.

1           9. Establish a schoolwide audit team in the office of the auditor  
2 general to conduct performance audits and monitor school districts **AND**  
3 **CHARTER SCHOOLS** to determine the percentage of every dollar spent in the  
4 classroom by the school district **OR CHARTER SCHOOL**. Each school district  
5 **AND CHARTER SCHOOL** shall prominently post on its website home page a copy  
6 of its profile pages that displays the percentage of every dollar spent in  
7 the classroom by that school district **OR CHARTER SCHOOL** from the most  
8 recent status report issued by the auditor general pursuant to this  
9 paragraph. The auditor general shall determine, through random selection,  
10 the school districts **AND CHARTER SCHOOLS** to be audited each year, subject  
11 to review by the joint legislative audit committee. A school district **OR**  
12 **CHARTER SCHOOL** that is subject to an audit pursuant to this paragraph  
13 shall notify the auditor general in writing whether the school district **OR**  
14 **CHARTER SCHOOL** agrees or disagrees with the findings of the audit and  
15 whether the school district **OR CHARTER SCHOOL** will implement the  
16 recommendations, implement modifications to the recommendations or refuse  
17 to implement the recommendations. The school district **OR CHARTER SCHOOL**  
18 shall submit to the auditor general a written status report on the  
19 implementation of the audit recommendations at the request of the auditor  
20 general, within the two-year period following the issuance of an audit  
21 conducted pursuant to this paragraph. The auditor general shall review  
22 the school district's **OR CHARTER SCHOOL'S** progress toward implementing the  
23 recommendations of the audit and provide status reports of the reviews to  
24 the joint legislative audit committee during this two-year period. The  
25 auditor general may review a school district's **OR CHARTER SCHOOL'S**  
26 progress beyond this two-year period for recommendations that have not yet  
27 been implemented by the school district **OR CHARTER SCHOOL**. The school  
28 district **OR CHARTER SCHOOL** shall participate in any hearing scheduled  
29 during this review period by the joint legislative audit committee or by  
30 any other legislative committee designated by the joint legislative audit  
31 committee.

32           10. Annually review per diem compensation and reimbursement of  
33 expenses for employees of this state and members of a state board,  
34 commission, council or advisory committee by judgmentally selecting  
35 samples and evaluating the propriety of per diem compensation and expense  
36 reimbursements.

37           B. The auditor general may:

38           1. Subject to approval by the committee, adopt rules necessary to  
39 administer the duties of the office.

40           2. Hire consultants to conduct the studies required by subsection  
41 A, paragraphs 6 and 7 of this section.

42           C. If approved by the committee, the auditor general may charge a  
43 reasonable fee for the cost of performing audits or providing accounting  
44 services for auditing federal funds, special audits or special services  
45 requested by political subdivisions of this state. Monies collected

1 pursuant to this subsection shall be deposited in the audit services  
2 revolving fund.

3 D. The department of transportation, the county treasurer, the  
4 county transportation excise tax recipients, ~~and~~ the board of supervisors  
5 of a county that has approved a county transportation excise tax as  
6 provided in section 42-6106 or 42-6107 and the governing bodies of  
7 counties, cities and towns receiving Arizona highway user revenue fund  
8 monies shall cooperate with and provide necessary information to the  
9 auditor general or the auditor general's consultant.

10 E. The department of transportation or the county transportation  
11 excise tax recipients shall reimburse the auditor general as follows, and  
12 the auditor general shall deposit the reimbursed monies in the audit  
13 services revolving fund:

14 1. For the cost of conducting the studies or hiring a consultant to  
15 conduct the studies required by subsection A, paragraph 6, subdivisions  
16 (a) and (b) of this section, from monies collected pursuant to a county  
17 transportation excise tax levied pursuant to section 42-6106 or 42-6107.

18 2. For the cost of conducting the studies or hiring a consultant  
19 pursuant to subsection A, paragraph 6, subdivision (c) and paragraph 7 of  
20 this section, from the Arizona highway user revenue fund.

21 Sec. 11. Section 41-1279.04, Arizona Revised Statutes, is amended  
22 to read:

23 41-1279.04. Authority to examine records; violation;  
24 classification; attorney general supervision

25 A. The auditor general or the auditor general's authorized  
26 representatives, in ~~the performance of~~ PERFORMING THEIR official duties,  
27 shall have access to employees and the authority to examine any and all  
28 books, accounts, reports, vouchers, correspondence files and other  
29 records, bank accounts, criminal history record information as defined in  
30 section 41-1701 and in accordance with section 41-1750, monies and other  
31 property of any state agency, board, commission, department, institution,  
32 program, advisory council or committee or political subdivision of this  
33 state, whether created by the constitution or otherwise, or such documents  
34 and property of a contractor relating to a contract with this state  
35 pursuant to section 35-214. Any such agency or political  
36 subdivision, ~~having~~ THAT HAS such records under the officer's or  
37 employee's control, ~~shall~~ shall allow access to and examination of the records  
38 on the request of the auditor general or the auditor general's authorized  
39 representative.

40 B. For the purpose of complying with section 41-1279.03, subsection  
41 A, paragraphs 4 and 9, the auditor general or the auditor general's  
42 authorized representative, in ~~the performance of~~ PERFORMING THEIR official  
43 duties, may attend executive sessions of the governing body of any state  
44 agency, ~~or~~ school district OR CHARTER SCHOOL in this state.

1 C. For the purpose of auditing the department of revenue, the  
2 auditor general and the auditor general's authorized representatives have  
3 access to state tax returns, except that a report of the auditor general  
4 shall not violate the confidentiality of state tax laws.

5 D. For the purpose of complying with subsection A of this section,  
6 all officers of any state agency, board, commission, department,  
7 institution, program, advisory council or committee or political  
8 subdivision of this state shall provide reasonable space for auditor  
9 general staff and make records available, in the form and at the time  
10 prescribed.

11 E. Any officer or person who knowingly fails or refuses to allow  
12 access and examination pursuant to this section or knowingly obstructs or  
13 misleads the auditor general in the execution of the auditor general's  
14 duties is guilty of a class 2 misdemeanor.

15 F. The attorney general shall supervise the prosecution of all  
16 offenders under this section.

17 Sec. 12. Short title

18 This act may be cited as the "Charter School Transparency and  
19 Accountability Act".