

REFERENCE TITLE: school districts; board members; superintendent

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HB 2610

Introduced by
Representative Gress

AN ACT

AMENDING SECTION 15-103, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 3, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-302.01; AMENDING SECTION 15-421, ARIZONA REVISED STATUTES; RELATING TO SCHOOL DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-103, Arizona Revised Statutes, is amended to
3 read:

4 15-103. School districts; financial mismanagement;
5 intervention; receivership; definitions

6 A. The state board of education shall review allegations of school
7 district insolvency and gross mismanagement. The state board shall give
8 the school district an opportunity to respond to these allegations at a
9 public meeting. If the state board determines that the school district is
10 insolvent or has grossly mismanaged its finances, the state board shall
11 appoint a receiver or fiscal crisis team for that school district.

12 B. The state board shall find a school district insolvent if it
13 finds one or more of the following:

14 1. The school district is unable to pay debts as they fall due or
15 in the usual course of business.

16 2. The salaries of any teachers or other employees have remained
17 unpaid for forty-five days.

18 3. The tuition due another school district or other state
19 institution remains unpaid on or after January 1 of the year following the
20 school year it was due and there is no dispute regarding the validity or
21 amount of the claim.

22 4. The school district has defaulted in payment of its bonds or
23 interest on bonds or in payment of rentals due any state or federal
24 authority or private business for a period of sixty calendar days and no
25 action has been initiated within that period of time to make payment.

26 5. The school district has contracted for any loan not authorized
27 by law.

28 6. The school district has accumulated and has operated with a
29 deficit equal to five ~~per cent~~ PERCENT or more of the school district's
30 revenue control limit for any fiscal year within the past two fiscal years
31 or the conditions prescribed in section 15-107 have occurred.

32 7. The school district's warrants have not been honored for payment
33 by the school district's servicing bank or by the county treasurer and the
34 warrants have remained unpaid for a period of more than sixty calendar
35 days.

36 C. A school district shall not be deemed to be insolvent pursuant
37 to subsection B of this section if the circumstances are the result of the
38 failure of the state to make any payments of monies due the school
39 district at the time payment is due.

40 D. The state board of education ~~shall have~~ HAS jurisdiction over
41 all petitions requesting that a school district be placed in receivership
42 and a receiver be appointed or that a fiscal crisis team be appointed
43 because of the school district's alleged insolvency or gross
44 mismanagement. The state board ~~shall have~~ HAS the burden of demonstrating

1 by a preponderance of the evidence that the school district is insolvent
2 or is engaged in gross mismanagement.

3 E. If the state board of education finds that the school district
4 is insolvent or has engaged in gross mismanagement, the state board may
5 place the school district in receivership and appoint a receiver
6 recommended by the state board. The state board shall develop and adopt a
7 list of qualified receivers to be appointed by the board.

8 F. On appointment, the receiver SHALL PERFORM THE ACTIONS
9 PRESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION AND may perform any of the
10 actions prescribed in ~~paragraphs 1 through 11~~ PARAGRAPH 2 of this
11 subsection and shall begin a full review and investigation of the school
12 district's financial affairs and submit to the state board of education a
13 detailed report listing the findings of that investigation that ~~shall~~
14 ~~include~~ INCLUDES a financial improvement plan and budget that details how
15 the school district will eliminate any continued gross financial
16 mismanagement and achieve financial solvency. The plan shall include a
17 proposed timeline for achieving financial solvency. The receiver shall
18 submit the report within one hundred twenty days after the receiver's
19 appointment. The financial improvement plan approved by the state board
20 of education:

21 1. SHALL REQUIRE THE RECEIVER TO TERMINATE FOR CAUSE THE SCHOOL
22 DISTRICT SUPERINTENDENT. THE RECEIVER MAY NOT PROVIDE A SEVERANCE OR
23 BUYOUT PACKAGE TO THE SCHOOL DISTRICT SUPERINTENDENT IF THE STATE BOARD OF
24 EDUCATION PLACES THE SCHOOL DISTRICT IN RECEIVERSHIP. A SUPERINTENDENT
25 WHO IS TERMINATED PURSUANT TO THIS PARAGRAPH MAY APPEAL THE TERMINATION TO
26 THE STATE BOARD OF EDUCATION IF THE SUPERINTENDENT FILES AN APPEAL WITH
27 THE STATE BOARD WITHIN THIRTY DAYS AFTER RECEIVING NOTICE OF THE
28 TERMINATION.

29 2. May authorize the receiver to do any of the following:

30 ~~1.~~ (a) Override any decisions of the school district's governing
31 board or the school district superintendent, or both, concerning the
32 management and operation of the school district, and initiate and make
33 decisions concerning the management and operation of the school district.

34 ~~2.~~ (b) Attend any and all meetings of the school district's
35 governing board and administrative staff.

36 ~~3.~~ (c) Supervise the day-to-day activities of the school
37 district's staff, including reassigning the duties and responsibilities of
38 personnel in a manner that, in the determination of the receiver, best
39 suits the needs of the school district.

40 ~~4.~~ (d) Place on extended leave, suspend or terminate for cause the
41 school district's ~~superintendent or~~ chief financial officer, ~~or both~~. The
42 receiver is not authorized to provide a severance or buyout package to the
43 school district's ~~superintendent or~~ chief financial officer if the school
44 district is placed ~~into~~ IN receivership by the state board of education.
45 A ~~person~~ CHIEF FINANCIAL OFFICER WHO IS terminated pursuant to this

1 ~~paragraph~~ SUBDIVISION may appeal the ~~receiver's decision~~ TERMINATION to
2 the state board of education if an appeal is filed with the state board
3 within thirty days ~~of~~ AFTER receiving notice of the termination.

4 ~~5.~~ (e) Authorize pupils to transfer from schools operated by the
5 school district to schools operated by another school district that is not
6 currently in receivership.

7 ~~6.~~ (f) Appoint a chief educational officer who shall possess the
8 powers and duties of a school district superintendent. A chief
9 educational officer who is appointed pursuant to this ~~paragraph~~
10 SUBDIVISION shall hold a valid administrative certificate.

11 ~~7.~~ (g) Appoint a chief fiscal officer who shall possess the powers
12 and duties of the school district's chief school business official and any
13 other duties regarding budgeting, accounting and other financial matters
14 that are assigned to the school district by law.

15 ~~8.~~ (h) Appoint a competent independent public accountant to audit
16 the accounts of the school district.

17 ~~9.~~ (i) Reorganize the school district's financial accounts,
18 management and budgetary systems to improve financial responsibility and
19 reduce financial inefficiency within the district.

20 ~~10.~~ (j) Establish school district fiscal guidelines and a system of
21 internal controls, including internal administrative controls and internal
22 accounting controls, with provisions for internal audits.

23 ~~11.~~ (k) Cancel or renegotiate any contract, other than contracts of
24 certificated teachers who have been employed by the school district in the
25 capacity of a certificated teacher for more than one year immediately
26 before the date the receiver was appointed, to which the governing board
27 or the school district is a party if the cancellation or renegotiation of
28 the contract will produce needed economies in the operation of the
29 district's schools. The receiver may refuse to reemploy any certificated
30 teacher who has not been employed by the school district for more than the
31 major portion of three consecutive school years ~~as provided in section~~
32 ~~15-536.~~

33 G. The receiver's power, authority and duties ~~shall be~~ ARE
34 effective on the date of the receiver's appointment by the state board of
35 education. The receiver shall perform the receiver's duties according to
36 the instructions of the state board of education order and according to
37 law. The receiver shall promptly report any violations of law, including
38 a violation of the uniform system of financial records, to the state board
39 of education.

40 H. On review and approval of the state board of education, the
41 receiver shall take all necessary steps to implement the financial
42 improvement plan and budget ~~utilizing~~ USING those powers identified in the
43 plan as prescribed in subsection F of this section.

44 I. The salary and benefits of the receiver and any officers or
45 employees appointed by the receiver shall be paid by the school district.

1 The state board of education shall determine the salary for the receiver
2 and any officers or employees appointed by the receiver based on amounts
3 recommended by the state board.

4 J. The state board of education shall remove the school district
5 from receivership and dismiss the receiver and dismiss any officer or
6 employee appointed by the receiver thirty days after all of the following
7 have occurred:

8 1. The auditor general certifies that the school district has been
9 financially solvent for one fiscal year.

10 2. The auditor general certifies that the school district's
11 financial records are in compliance with the uniform system of financial
12 records and generally accepted accounting principles.

13 3. The receiver certifies that the school district is no longer
14 engaged in gross mismanagement.

15 4. The state board of education has determined that the school
16 district is able to pay its debts as those debts become due.

17 K. Beginning ninety days after the submission of the first report
18 prescribed in subsection F of this section, the receiver shall submit a
19 quarterly progress report to the state board of education. The state
20 board of education shall review the expenses and costs of the receiver at
21 least once each calendar quarter.

22 L. The state board of education shall formally review the
23 receiver's progress every six months. If, based on the quarterly progress
24 reports, the state board determines that the receiver's progress is
25 insufficient, the state board may remove the current receiver and appoint
26 another receiver for the school district.

27 M. The state board of education may dismiss the receiver for cause
28 or on a majority vote of no confidence in the receiver of the state board.

29 N. The school district shall indemnify the receiver and any officer
30 or employee appointed by the receiver who is made or threatened to be made
31 a party to any litigation by reason of their status under this section if
32 the receiver, officer or employee acted in good faith and in a manner that
33 the receiver, officer or employee reasonably believed to be consistent
34 with the best interest of the school district and if the receiver, officer
35 or employee had no reasonable cause to believe that the conduct was
36 unlawful.

37 O. During the period of time that the school district is in
38 receivership, ~~no~~ A member, officer, employee or agent of the school
39 district may NOT enter into any contract or incur any liability on behalf
40 of the school district for any purpose if the amount of the contract or
41 liability exceeds the receiver's authorized financial plan and budget for
42 the school district. The receiver may discipline, including, if warranted,
43 imposing a suspension from duty without pay, removal from office or
44 termination of, any school district employee or officer who violates this
45 subsection.

1 P. This section does not create a private cause of action against
2 the school district or its officers, directors, board members or
3 employees.

4 Q. The assumption of control of the school district by the receiver
5 shall ~~in no way~~ NOT interfere with the election ~~or reelection~~ of school
6 district governing board members, EXCEPT AS REQUIRED BY SECTION 15-302.01.

7 R. This section shall not interfere with a school district's
8 ability to declare bankruptcy under federal law.

9 S. The state board of education shall continue to monitor and offer
10 technical assistance to a school district for two years after its removal
11 from receivership.

12 T. All information received and records or reports kept by the
13 state board of education during an investigation resulting from a
14 complaint against a receiver appointed pursuant to this section or section
15 15-107 are confidential and not a public record.

16 U. The state board of education or the department of education
17 shall immediately notify the auditor general if the board or department
18 has knowledge that a superintendent or chief financial officer who was
19 employed at the school district at the time the school district was placed
20 in receivership is currently employed in another school district or
21 charter school in this state.

22 V. Notwithstanding any other law, a fiscal crisis team appointed
23 pursuant to this section ~~shall be~~ IS subject to section 15-107,
24 subsections E through H and a school district that is assigned a level two
25 fiscal crisis team pursuant to this section ~~shall be~~ IS subject to section
26 15-107, subsections J, K and L.

27 W. For the purposes of this section:

28 1. "Fiscal crisis team" means either:

29 (a) A level one fiscal crisis team with the duties and authority
30 prescribed in section 15-107, subsection D, paragraph 2.

31 (b) A level two fiscal crisis team with the duties and authority
32 prescribed in section 15-107, subsection D, paragraph 3.

33 2. "Gross mismanagement" means that the school district's officers
34 or employees committed or engaged in gross incompetence or systemic and
35 egregious mismanagement of the school district's finances or financial
36 records.

37 3. "Notice" means written notice personally served or delivered by
38 certified mail, return receipt requested.

39 4. "Receiver" means an individual WHO IS appointed by the state
40 board of education from the persons recommended by the state board for the
41 purpose of managing a school district placed in receivership by the state
42 board of education.

43 5. "Receivership" means the state or condition of being under the
44 control of the receiver appointed by the state board of education.

1 employs a substitute teacher pursuant to this subsection, the member of
2 the governing board who is related to the substitute teacher shall be
3 recused from voting on any matter relating to substitute teachers.

4 F. A school district may employ, including employment through a
5 third-party contractor that provides services to the school district, a
6 person who served as a member of the school district's governing board
7 during the preceding two years only in a position in which the person will
8 provide services directly to students, including as a certificated
9 teacher, a substitute teacher and an employee or contractor who provides
10 transportation, instructional support or student support services. A
11 school district may increase the time period prescribed in this subsection
12 to be more than two years.

13 G. A member of one governing board is ineligible to be a candidate
14 for nomination or election to or serve simultaneously as a member of any
15 other governing board, except that a member of a governing board may be a
16 candidate for nomination or election for any other governing board if the
17 member is serving in the last year of a term of office. A member of a
18 governing board shall resign the member's seat on the governing board
19 before becoming a candidate for nomination or election to the governing
20 board of any other school district, unless the member of the governing
21 board is serving in the last year of a term of office.

22 H. Notwithstanding section 15-511, each county school
23 superintendent shall publish on the superintendent's website the statement
24 of each certified candidate for membership on a school district governing
25 board located in the county. The county school superintendent shall list
26 each school district on the superintendent's website from which a link
27 shall be established to the candidate's name, which shall link to the
28 candidate's statement and photograph. The candidate shall submit the
29 statement to the person at the county school superintendent's office
30 assigned to manage candidate statements, after notice of certification
31 from the county school superintendent's office but not later than
32 twenty-one days before the date that general election early ballots are
33 allowed to be mailed. The person shall post each candidate's statement on
34 the county school superintendent's website not later than fourteen days
35 before the date that general election early ballots are allowed to be
36 mailed. If a candidate does not submit a statement, the county school
37 superintendent's website shall state "no response submitted" for the
38 candidate. The candidate statements shall be posted on the website
39 alphabetically by each school district and by candidate. The candidate
40 statement shall be typewritten or electronically submitted. The county
41 school superintendent shall post the statements verbatim as they are
42 received unless a candidate requests in writing that typographical errors
43 be corrected. The candidate statement shall contain the following items
44 in the same size and format for each candidate:

- 45 1. A recent photograph of the candidate.

1 2. A statement not to exceed five hundred words.

2 3. A disclosure of any relationships by affinity, by consanguinity
3 or by law to the third degree that exist between the candidate and any
4 current governing board members or other candidates for election to the
5 same governing board.

6 I. Persons related as immediate family who have the same household
7 of residence within four years prior shall not serve simultaneously on the
8 governing board of the same school district if the governing board is
9 composed of five members. For a school district with a student count of
10 at least two hundred fifty that is located in a county with a population
11 of more than five hundred thousand persons, not more than two persons
12 related by affinity, by consanguinity or by law to the third degree shall
13 serve simultaneously on the governing board of the same school district if
14 the governing board is composed of five members. A qualified elector who
15 resides in the school district may bring an action in superior court to
16 enforce this subsection.

17 J. A person related as immediate family who has the same household
18 of residence within four years prior to a member of the governing board of
19 the same school district is ineligible to be a candidate for nomination or
20 election to that governing board if the governing board is composed of
21 five members, except that a person related as immediate family who has the
22 same household of residence within four years prior to a member of a
23 governing board may be a candidate for nomination or election to the
24 governing board of the same school district if the member is serving in
25 the last year of a term of office. For a school district with a student
26 count of at least two hundred fifty that is located in a county with a
27 population of more than five hundred thousand persons, not more than two
28 persons related by affinity, by consanguinity or by law to the third
29 degree shall be eligible to be a candidate for nomination or election to a
30 governing board that is composed of five members. A qualified elector who
31 resides in the school district may bring an action in superior court to
32 enforce this subsection.

33 K. Persons related as immediate family who have the same household
34 of residence within four years prior are ineligible to be simultaneous
35 candidates for nomination or election to the governing board of the same
36 school district if the governing board is composed of five members. For a
37 school district with a student count of at least two hundred fifty that is
38 located in a county with a population of more than five hundred thousand
39 persons, not more than two persons related by affinity, by consanguinity
40 or by law to the third degree shall be simultaneous candidates for
41 nomination or election to a governing board that is composed of five
42 members. A qualified elector who resides in the school district may bring
43 an action in superior court to enforce this subsection.

1 L. For the purposes of this section:

2 1. "Household of residence" means the place of abode during
3 applicable time periods or the residence address used by an individual for
4 voter registration or property tax purposes.

5 2. "Immediate family" means individuals who are married to each
6 other and any children of those individuals.

7 3. "Small school district" has the same meaning prescribed in
8 section 15-901.