



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

AMENDED
FACT SHEET FOR S.B. 1654

schools; finance; instruction; accountability; revisions

Purpose

Revises financial reporting requirements and directs school districts to consolidate numerous funds into a newly established School District Additional Monies Fund. Modifies requirements relating to school district bond elections, dyslexia training for public school employees, Litigation Recovery Funds and specified authorized purposes of contributions made to public schools. Allows a career technical education district (CTED) to build and provide housing facilities for specified student demographics.

Background

The Auditor General (OAG) determines the school district accounting systems, methods and procedures and, in conjunction with the Arizona Department of Education (ADE), prescribes a uniform system of financial records (USFR) for all school districts to use each fiscal year ([A.R.S. § 15-271](#)).

A school district governing board must annually publish, by November 15, an annual financial report (AFR) for the prior fiscal year. The OAG, in conjunction with ADE, must prescribe the AFR format to be used by school districts. The AFR must contain budgeted and actual expenditures for the previous fiscal year, including detailed information for: 1) the bond building fund; 2) the unrestricted capital fund; 3) the adjacent ways fund; 4) the deficiencies correction fund; and 5) the new school facilities fund. The AFR must also include school level data for charter schools and schools operated by school districts. The Superintendent of Public Instruction (SPI) compiles all school district AFRs for the SPI's Annual Report (SAFR), which is annually reported to the Governor and the Legislature by January 15 (A.R.S. §§ [15-255](#) and [15-904](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

Financial Reporting Revisions

1. Requires the OAG, in conjunction with ADE, to prescribe new AFR formats by January 1, 2025.
2. Allows a school district to submit detailed general ledger information to the OAG and ADE in lieu of including, in an AFR:
 - a) the separate accounting information relating to:
 - i. the College Credit by Examination Incentive Program;
 - ii. the Arizona Industry Credentials Incentive Program;
 - iii. gifted pupils;

- iv. school district budgets for excess utility costs;
 - v. school district budgets for a joint career and technical education and vocation education center; and
 - vi. energy and water savings accounts;
 - b) the information required by the OAG relating to English language learner education; and
 - c) specified reporting requirements prescribed by the AFR.
3. Directs the OAG, in conjunction with ADE, to prescribe an AFR format to be used by school districts that submit detailed general ledger information and specifies that the format may not exceed two printed pages and must include only information that is relevant to the public interest.
 4. Directs the OAG and ADE to consult with school districts in developing each new AFR format.
 5. Sets, as August 15, the date by which the OAG and ADE must annually prescribe the final format to be used by school districts for the AFR and the summary form of the AFR for use by governing boards.
 6. Specifies that, if the OAG does not prescribe the final format for the AFR by August 25, the school districts may use the format prescribed during the preceding year.
 7. Prohibits the OAG from requiring a school district to create or maintain records for any fund or account that is not used by the school district, including any fund or account that has a balance of zero for at least one fiscal year.
 8. Prohibits the SPI, for the purposes of compiling the SAFR, from requiring school districts or charter schools from separately submitting information that is otherwise available, including information that may be created or summarized from data reported:
 - a) in a school district's AFR; or
 - b) for ADE's K-3 Reading Program annual report.
 9. Removes the requirements for ADE to include, in the CTED annual report:
 - a) the student enrollment of each CTED program and corresponding course;
 - b) the percentage of students who enrolled in the second year of the program and corresponding course;
 - c) the percentage of students who completed each CTED program;
 - d) the associated costs of each CTED program; and
 - e) a listing of any CTED programs or courses continued, discontinued or added by review of ADE's Career and Technical Education Division.
 10. Allows a governing board, in a public hearing and governing board meeting, to adopt procurement policies and procedures that exempt the school district from the public bidding requirements under the SBE-adopted procurement rules for contracts that exceed the aggregate dollar amount limits prescribed and do not involve construction.
 11. Adds, to the procurement practices guidelines the OAG must prescribe for the USFR, guidelines applicable to procurement practices for use by school district for amounts exempt from public bidding requirements pursuant to a governing board-adopted policy.

School District Fund Consolidation

12. Removes the requirement for a school district to establish an Advertisement Fund for revenues from the sale of advertisements.
13. Repeals the authorization for a school district to deposit insurance premium refunds with the county treasurer to credit to the school district's Insurance Refund Fund and the permissible uses for Insurance Refund Fund monies.
14. Removes the requirements relating to a school district's Fingerprint Fund.
15. Repeals the authorization for a school district to hold monies and the permissible expenditures of monies obtained for:
 - a) lost or damaged textbooks, subject matter materials, supplementary books or instructional computer software; or
 - b) repairing or replacing textbooks, subject matter materials, supplementary books or instructional computer software which are lost or damaged.
16. Removes the authority for a school district to transfer an amount from the school district's maintenance and operations fund ending cash balance to the school district's School Opening Fund and the requirements relating to a School Opening Fund.
17. Repeals the authorization for a school district to deposit monies received or derived from insurance losses with the county treasurer to credit to the school district's Insurance Proceeds Fund and the permissible uses for Insurance Proceeds Fund monies.
18. Repeals the requirement to deposit unemployment compensation monies with the county treasurer to credit to the school district's Unemployment Compensation Fund and the permissible uses for Unemployment Compensation Fund monies.
19. Repeals the authorization for a governing board to deposit, in a separate bank account, grants or gifts that are less than \$1,500 and designated for use by a teacher for instructional purposes.
20. Repeals the authorization for a school district to establish a Career and Technical Education Projects Fund and requirements and the permissible uses for Career and Technical Education Projects Fund monies.
21. Directs each school district governing board to establish a School District Additional Monies Fund, consisting of monies received by the school district from any lawful source for which a specific fund is not designated, established or required by law or the grantor, including private grants, gifts, contributions and devises.
22. Allows School District Additional Monies Fund monies to be used for any expenditure that is included in a governing board's final adopted budget.
23. Specifies that School District Additional Monies Fund monies are not subject to reversion.

24. Transfers all unexpended and unencumbered monies in the following school district funds to the respective school district's School District Additional Monies Fund:
- a) the Advertisement Fund;
 - b) the Insurance Refund Fund;
 - c) the Fingerprint Fund;
 - d) monies obtained for lost or damaged textbooks books and other school supplies;
 - e) the School Opening Fund;
 - f) the Insurance Proceeds Fund;
 - g) the Unemployment Compensation Fund; and
 - h) the Career and Technical Education Projects Fund.

25. Directs a governing board to close the bank account opened for grants and gifts that are less than \$1,500 and designated for use by a teacher for instructional purposes and transfer any remaining monies to the school district's School District Additional Monies Fund.

Miscellaneous

26. Allows a CTED to build, maintain and provide housing facilities and support services for students who are in foster care or meet the definition of *unaccompanied youth*.
27. Subjects a CTED to the statutory requirements relating to the leasing or use of school property.
28. Removes the requirement for a school district to use Litigation Recovery Fund monies only for specified purposes.
29. Allows a school district to use Litigation Recovery Fund monies for remedial measures reasonably related to a legal controversy or litigation by or against the school district as specified.
30. Authorizes a school district, after all other required expenditures, to use monies remaining in the school district's Litigation Recovery Fund for maintenance and operation or unrestricted capital outlay.
31. Allows a school district or charter school to fulfill the dyslexia training requirement by ensuring that at least one designated employee in each school has received the dyslexia training.
32. Requires a school district bond election to be called for at least 90 days before the proposed election.
33. Repeals the Arizona Industry Credentials Incentive Program and Incentive Program Fund and the requirements relating to:
- a) ADE's administration of the list of qualifying CTE credentials;
 - b) distribution of \$1,000 awards to school districts, charter schools and CTEDs for each qualifying student;
 - c) permissible uses of Incentive Program award monies; and
 - d) ADE's annual Incentive Program report.

34. Delays, retroactive to June 30, 2024, the expiration date for the following authorized purposes of contributions made to a public school from June 30, 2024, to June 30, 2029:
 - a) the acquisition of outlined capital items;
 - b) community school meal programs;
 - c) student consumable health care supplies; and
 - d) playground equipment and shade structures for playground equipment.
35. Makes technical and conforming changes.
36. Becomes effective on the general effective date, with a retroactive provision as noted.

Amendments Adopted by Committee of the Whole

1. Reinstates the requirement for the OAG's schoolwide audit team to conduct performance audits and the requirements for the OAG, the schoolwide audit team and school districts relating to performance audits.
2. Removes the requirements for the OAG's schoolwide audit team to conduct financial and special audits.
3. Reinstates the requirements for the annual achievement profile to use performance classifications based on an A through F letter system.
4. Removes the prohibition on ADE from requiring a public school to separately submit otherwise available information included in ADE's K-3 Reading Program annual report.
5. Specifies that the SPI may not require school districts to separately submit information included in ADE's K-3 Reading Program annual report for the SAFR.
6. Allows a CTED to build, maintain and provide housing facilities as outlined.
7. Removes the authority for a public school to designate any school day as Sandra Day O'Connor Civics Celebration Day or 9/11 Education Day and provide the required instruction for both on the same day.
8. Delays, until June 30, 2029, the expiration date for specified purposes of contributions made to a public school, rather than removes the expiration date.
9. Makes technical and conforming changes.

Amendments Adopted by Additional Committee of the Whole

1. Reinstates the requirements for the OAG's schoolwide audit team to monitor school districts to determine the percentage of every dollar spent in the classroom.
2. Reinstates the requirements for school districts relating to the monitoring of classroom spending.
3. Makes conforming changes.

Senate Action

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Prepared by Senate Research
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MH/sdr/slp