

School Facilities Board

A.R.S. § 15-2001

Executive Director: Ed Boot

JLBC Analyst: Jake Corey

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
PROGRAM BUDGET			
School Facilities Board	1,239,800	1,635,500	1,672,300
New School Facilities SLI	200,000,000	250,000,000	0
Building Renewal SLI	122,725,300	132,000,000	38,274,100 ^{1/2/}
Deficiencies Correction SLI	150,000,000	0	0
TOTAL APPROPRIATIONS	473,965,100	383,635,500	39,946,400
OPERATING BUDGET			
Full Time Equivalent Positions	19.0	19.0	19.0
Personal Services	915,900	1,099,200	1,126,700
Employee Related Expenditures	170,400	191,000	200,300
Professional and Outside Services	88,000	200,100	200,100
Travel - In State	11,300	20,000	20,000
Travel - Out of State	0	0	0
Other Operating Expenditures	46,600	115,200	115,200
Equipment	7,600	10,000	10,000
<i>Operating Subtotal</i>	1,239,800	1,635,500	1,672,300
Special Line Items (SLI)	472,725,300	382,000,000	38,274,100
TOTAL APPROPRIATIONS	473,965,100	383,635,500	39,946,400 ^{3/}
FUND SOURCES			
General Fund	473,965,100	383,635,500	39,946,400 ^{4/}
TOTAL APPROPRIATIONS	473,965,100	383,635,500	39,946,400

AGENCY DESCRIPTION — *The School Facilities Board is composed of 8 gubernatorial appointments and the Superintendent of Education. The board administers the New School Facilities Fund, the Building Renewal Fund, and the Deficiencies Correction Fund to provide capital funding for K-12 school districts.*

^{1/} Funding is provided through a direct transfer of Transaction Privilege Tax revenues (TPT) into the fund by the State Treasurer pursuant to Laws 2002, Chapter 330, Section 45, rather than through the General Appropriation Act.

^{2/} By October 1, 2002, the School Facilities Board shall report to the Joint Committee on Capital Review the effect of any deficiencies corrections made pursuant to A.R.S. § 15-2021, on the funding requirements of the building renewal formula established in A.R.S. § 15-2031. It is the intent of the Legislature that this report provide an estimate of building renewal formula funding requirements on the completion of deficiency corrections. (General Appropriation Act footnote)

^{3/} General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated as a Lump Sum by Agency.

^{4/} Includes \$38,274,100 in TPT revenues transferred into the Building Renewal Fund pursuant to Laws 2002, Chapter 330, Section 45. All remaining monies are appropriated from the General Fund for the agency's operating budget by the General Appropriation Act.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Est./Actual	Estimate
• % of school districts meeting minimum adequacy standards	NA	NA	NA	NA/100
• % of schools annually inspected for adequacy	NA	NA/100	10/0	20
• % of inspected schools determined to have an adequate maintenance program	NA	NA	NA	75/100
• % of cumulative critical deficiency correction projects completed	NA	NA/8	75/32	95/100
• % of cumulative non-critical deficiency correction projects completed	NA	NA/0	26/0.5	53/100
• Number of new school construction projects completed	NA	NA/5	32/NA	50/35
• % of school districts rating the boards' services as "good" or "excellent" in an annual survey	NA	NA	NA	80/90
• Administration as a % of total cost (excluding deficiencies correction)	NA	NA/1.1	0.5/NA	0.4

Operating Budget — There were no substantive changes to the operating budget.

New School Facilities Special Line Item — The New School Facilities Fund is established by A.R.S. § 15-2041 in order to provide funding for school districts to construct new K-12 school facilities. The amounts allocated to each school district are determined by statutory requirements as interpreted by the board.

By January 1 of each year, the board instructs the State Treasurer of the Transaction Privilege Tax (TPT) amount to be credited in the following fiscal year to the New School Facilities Fund, pursuant to A.R.S. § 15-2002.A(10). The board then distributes the monies to school districts as work is completed on approved projects.

For FY 2002, the board originally instructed the State Treasurer to transfer \$250,000,000 to the New School Facilities Fund. During the 2nd and 3rd Special Sessions of 2001, the Legislature transferred \$83,250,000 back out of the fund to the General Fund. *See the Fund Transfer section at the front of the report for more information.*

The approved FY 2003 amount includes no new funding for "pay as you go" cash financing for new school construction. The Education ORB (Laws 2002, Chapter 330) directs the State Treasurer to disregard the instructions from the board related to the New School Facilities Fund TPT transfer amount. The Education ORB instead gives the board and local school districts collectively the authority to enter into lease-to-own transactions in an amount not to exceed \$200,000,000 in any one year except for FY 2003, when the maximum total transaction amount is \$400,000,000. The initial debt service for these lease-to-own agreements will not be paid until FY 2004, thereby requiring no General Fund contribution for new construction in FY 2003.

Building Renewal Special Line Item — The Building Renewal Fund is established by A.R.S. § 15-2031 in order to provide funding for school districts to maintain the adequacy of existing school facilities. Building Renewal monies are for major renovations and repairs, system upgrades to extend the life of a building, and infrastructure costs on academic buildings owned by a district. The amount allocated to each school district is determined by a statutory formula.

By January 1 of each year, the board instructs the State Treasurer of the TPT amount to be credited in the following fiscal year to the Building Renewal Fund. The board then distributes the monies to school districts in 2 equal installments, in November and May.

For FY 2002, the board originally instructed the State Treasurer to transfer \$132,000,000 to the Building Renewal Fund. During the 2nd and 3rd Special Sessions of 2001, the Legislature transferred \$69,934,700 back out of the fund to the General Fund. *See the Fund Transfer section at the front of the report for more information.*

The approved FY 2003 amount includes \$38,274,100 in funding. The Education ORB directs the State Treasurer to disregard the instructions from the board related to the Building Renewal Fund TPT transfer amount and instead instructs the State Treasurer to transfer the above amount. In addition, the Education ORB suspends the building renewal formula in FY 2003 and FY 2004, as monies will be provided from the Deficiencies Correction Fund (A.R.S. § 15-2021).

Deficiencies Correction Special Line Item — The Deficiencies Correction Fund is established by A.R.S. § 15-2021 in order to provide funding to correct existing square footage and quality deficiencies at school districts. Adequacy requirements are defined in A.R.S. § 15-2011 and in related guidelines that were adopted by the board and approved by the Joint Committee on Capital Review

(JCCR) in August 1999. All deficiencies are to be corrected by June 30, 2004. As of June 1, 2002, the board has been provided with \$1,030,000,000 in funding (See *Table 1*). The final funding requirements for deficiencies correction will not be known, however, until all required projects are bid and under way.

the expansion of existing facilities, the new requirement applies only to expansion space that exceeds the minimum adequacy guidelines for square footage by more than 25%.

Section 37 of the bill prohibits the distribution of deficiencies correction monies for projects started after June 30, 2003 or projects that were approved after May 10, 2002.

Section 38 of the bill prohibits school districts from receiving Building Renewal Fund monies for any buildings to be replaced with Deficiencies Correction Fund monies. The section also allows school districts to use 8% of their building renewal monies for routine preventative maintenance. Any building renewal monies used for routine preventative maintenance shall not supplant existing maintenance funding.

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Legislative Appropriations		
- FY 1999 (L 98, C 1, 3 SS)	\$	35,000,000
- FY 2000 (L 98, C 1, 5 SS)		15,000,000
- FY 2001 (L 98, C 1, 5 SS)		15,000,000
General Fund Transfers		
- FY 2000		35,000,000
- FY 2001		135,000,000
Revenue Bonds (Proposition 301)		800,000,000
Qualified Zone Academy Bonds		20,000,000
FY 2003 Transfer from School Capital Equity Fund		15,000,000
FY 2003 Federal School Renovation Grants		16,000,000
General Fund Reversions		
- FY 2002		(56,000,000)
- FY 2003		(23,000,000) ^{1/}
FY 2003 Oil Overcharge Fund Transfer		8,000,000 ^{1/}
FY 2003 School Improvement Revenue Bond Debt Service Fund Transfer		15,000,000 ^{1/}
Total Funding		\$1,030,000,000

^{1/} The transfers from the Oil Overcharge Fund and the School Improvement Revenue Bond Debt Service Fund are intended to offset the FY 2003 General Fund reversion.

Additional Legislation: Education; Omnibus Budget Reconciliation; 2002-2003 (Chapter 330) — The Education ORB made a number of changes to the statutes, in addition to the changes listed above.

Section 33 of the bill requires the board to report each even-numbered year, beginning August 15, 2004, to JCCR the amounts necessary to fulfill the Building Renewal Fund and New School Facilities Fund statutory requirements for the Arizona State Schools for the Deaf and the Blind. The board shall not include these amounts in any transfer instructions made to the State Treasurer. See the *Arizona State Schools for the Deaf and the Blind* pages for more information. The section also allows the board to temporarily transfer monies between agency funds. The board shall report to JCCR the amount of and the reason for any monies transferred. In addition, the section requires the board to submit to JCCR by October 15th of each year information regarding its technical and cost estimates for new school construction.

Section 36 of the bill requires the board to include in its calculations any square footage from new school facilities built after July 1, 2002 and funded with 1) Class B bonds, 2) capital overrides, or 3) unrestricted capital outlay. For