

SCHOOL FACILITIES BOARD

A.R.S. § 15-2001

Randie Stein, Acting Executive Director

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General Fund and Capital Reserve Fund	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	0.0	9.0	15.0	15.0
Personal Services	0	449,800	694,800	708,600
Employee Related Expenditures	0	106,400	141,100	148,900
Professional and Outside Services	0	460,700	217,200 ^{1/}	218,200 ^{1/}
Travel - In State	0	25,000	25,000	25,000
Other Operating Expenditures	0	88,100	124,500	124,500
Equipment	0	70,000	10,000	10,000
Operating Subtotal	0	1,200,000 ^{2/}	1,212,600	1,235,200
School Inventory	0	2,000,000 ^{2/}	0	0
New School Facilities - General Fund	0	200,000,000	200,000,000 ^{3/4/}	200,000,000 ^{3/}
New School Facilities - Capital Reserve	0	0	110,000,000 ^{5/}	0
Deficiencies Correction - General Fund	0	35,000,000	35,000,000 ^{3/}	50,000,000 ^{3/6/}
Deficiencies Correction - Capital Reserve	0	0	15,000,000 ^{7/}	0
Building Renewal Fund	0	75,000,000	82,500,000 ^{3/}	87,500,000 ^{3/}
Total Appropriations	0	313,200,000	443,712,600 ^{8/}	338,735,200 ^{8/}
Fund Summary				
General Fund	0	313,200,000	318,712,600 ^{9/}	338,735,200 ^{9/}
Capital Reserve Fund	0	0	125,000,000 ^{5/}	0
Total Appropriations	0	313,200,000	443,712,600	338,735,200

Agency Description — *The School Facilities Board was created by Laws 1998, Chapter 1, 5th Special Session. It is composed of 8 members appointed by the Governor, and the Superintendent of Education or her designee. 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.*

Board Operating Budget — The approved FY 2000 amount includes a total of \$1,212,600 in General Fund monies for the board's operating budget. The FY 2000 appropriation also authorizes the board to hire 6 new FTE Positions, for a total of 15 FTE Positions. The approved

FY 2001 amount includes a total of \$1,235,200 in General Fund monies for the board's operating budget.

Under Students' FIRST, the board is required to perform the following duties:

- ^{1/} Includes an adjustment for Office of the Attorney General legal services. (See the Salary Adjustment table at the front of this report for more information.)
- ^{2/} The appropriation made in this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until the end of FY 2000. (General Appropriation Act footnote, as added by Laws 1999, Chapter 6, 1st Special Session)
- ^{3/} Funding is provided through a direct transfer of Transaction Privilege Tax revenues into the fund by the State Treasurer pursuant to A.R.S. § 15-2002A(11), rather than through the General Appropriation Act.
- ^{4/} Section 17 of the Education ORB (Laws 1999, Chapter 4, 1st Special Session) requires the State Treasurer to disregard the instructions of the School Facilities Board relating to the New School Facilities Fund transfer for FY 2000 and instead transfer the sum of \$200,000,000 into the fund. Board instructions would have required a \$90,000,000 transaction privilege tax transfer into the fund for FY 2000, plus the appropriation of \$110,000,000 in Capital Reserve Fund carry-forward monies into the fund for the year.
- ^{5/} After fulfilling the appropriation, required by Laws 1998, 5th Special Session, Chapter 1, Section 67, all monies in the Capital Reserve Fund are appropriated to the School Facilities Board for deposit in the New School Facilities Fund. The current estimate of this amount is \$110,000,000. (General Appropriation Act footnote)
- ^{6/} The \$50,000,000 total consists of a \$35,000,000 transfer pursuant to A.R.S. § 15-2002.A(11) plus a \$15,000,000 appropriation from Laws 1998, Chapter 1, 5th Special Session, ("Students' FIRST"), Section 67D.
- ^{7/} Appropriated by Laws 1998, Chapter 1, 5th Special Session, Section 67A.
- ^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{9/} Includes Transaction Privilege Tax revenues transferred into the Building Renewal Fund, New School Facilities Fund, and Deficiencies Correction Fund pursuant to A.R.S. § 15-2002A(11).

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- 1) assess school facility and equipment deficiencies and approve distributions from the Deficiencies Correction Fund
- 2) develop a data base of school facilities to administer the Building Renewal Fund
- 3) inspect school buildings at least once every 5 years to ensure compliance with building adequacy standards for new buildings and the maintenance of existing buildings
- 4) review and approve student population projections to determine if school districts are entitled to monies from the New School Facilities Fund pursuant to standards established in statute
- 5) certify that plans for new school facilities meet building adequacy standards
- 6) provide technical support to school districts with respect to new construction and maintenance of school facilities; and
- 7) develop prototypical designs for elementary and high school facilities.

New School Facilities Fund — The approved FY 2000 amount for the New School Facilities Fund includes a total of \$200,000,000 from the General Fund and a total of \$110,000,000 from the Capital Reserve Fund, for a combined total appropriation of \$310,000,000.

The approved FY 2001 amount for the fund consists solely of \$200,000,000 from the General Fund, since no Capital Reserve Fund carry-forward monies are anticipated for that year.

More total funding is appropriated to the fund for FY 2000 than for FY 2001 because it is assumed that both unspent fund monies from FY 1999 and new fund monies for FY 2000 will be needed during FY 2000 in order to eliminate a backlog of funding requests for new schools during that year. The same amount of *new* money per year (\$200,000,000), however, is transferred to the fund for both FY 2000 and FY 2001. This equals the amount of new monies provided to it for FY 1999—its first year of operation.

The \$200,000,000 in new money per year for FY 2000 and FY 2001 will be provided through a direct transfer of Transaction Privilege Tax revenues into the fund, rather than through a General Fund appropriation, pursuant to A.R.S. § 15-2002.A(11). Therefore, it does not appear in the General Appropriation Act for FY 2000 and FY 2001 (Laws 1999, Chapter 1, 1st Special Session).

The \$110,000,000 in Capital Reserve Fund carry-forward monies that are appropriated to the New School Facilities Fund for FY 2000, however, *do* appear in the General Appropriation Act. This is because A.R.S. § 15-2003.C makes those monies subject to Legislative appropriation.

Only \$110,000,000 of the estimated \$125,000,000 in available Capital Reserve Fund monies for FY 2000 are available for appropriation to the New School Facilities Fund. This is because the Students' FIRST legislation (Laws 1998, Chapter 1, 5th Special Session) appropriated the "first" \$15,000,000 of FY 2000 and FY 2001 Capital Reserve Fund monies to the Deficiencies Correction Fund (*discussed more below*).

The \$125,000,000 in Capital Reserve Fund monies that are expected to be available for use in FY 2000 will consist of "unspent" New School Facilities Fund monies carried over from FY 1999. A.R.S. § 15-2041.A requires the State Treasurer, on June 30th of each fiscal year, to credit (transfer) any unobligated monies in the New School Facilities Fund to the Capital Reserve Fund. Appropriations out of the Capital Reserve Fund for FY 2000 (\$110,000,000 to the New School Facilities Fund and \$15,000,000 to the Deficiencies Correction Fund) assume that the State Treasurer will credit a total of \$125,000,000 to that fund at the end of FY 1999, as is estimated by the Board.

No monies are appropriated out of the Capital Reserve Fund for FY 2001 because it is anticipated that the entire \$310,000,000 appropriation to the New School Facilities Fund for FY 2000 will be spent ("obligated") by the end of that fiscal year. This would leave no monies available for transfer from the New School Facilities Fund to the Capital Reserve Fund on June 30, 2000 for use during FY 2001. (Unexpended monies from the New School Facilities Fund are the only fund source for the Capital Reserve Fund pursuant to A.R.S. § 15-2003.A.) If Capital Reserve Fund monies are available in FY 2001, the first \$15,000,000 is automatically appropriated to the Deficiencies Correction Fund pursuant to Laws 1998, Chapter 1, 1st Special Session (Students' FIRST), Section 67C.

The New School Facilities Fund exists pursuant to A.R.S. § 15-2041. Its purpose is to provide funding for the construction of schools under the Students FIRST school capital funding program. Funding from the fund is distributed to school districts based on an analysis of their need for new schools by board staff.

Deficiencies Correction Fund — The approved FY 2000 amount for the Deficiencies Correction Fund includes a total of \$35,000,000 from the General Fund and a total of \$15,000,000 from the Capital Reserve Fund, for a combined total \$50,000,000.

The approved FY 2001 amount for the fund consists solely of \$50,000,000 from the General Fund, since no Capital Reserve Fund carry-forward monies are expected to be available that year to help fund its requirement.

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As noted earlier, the Students' FIRST legislation appropriated to the Deficiencies Correction Fund "in advance" the "first" \$15,000,000 of Capital Reserve Fund monies available in FY 2000 and FY 2001. It also appropriated to the fund in advance whatever General Fund monies will be needed (if any) in order to make up the difference if less than \$15,000,000 in Capital Reserve Fund monies are available for transfer to it in either FY 2000 or FY 2001. (*See Section 67 of Laws 1998, Chapter 1, 5th Special Session.*)

Since the board estimates that \$125,000,000 in Capital Reserve Fund monies will be available for transfer in FY 2000, the approved FY 2000 amount assumes that all \$15,000,000 in advance appropriation monies from Section 67 of Students FIRST will come from the Capital Reserve Fund that year. Conversely, since the board estimates that no Capital Reserve Fund monies will be available to fund the Section 67 advance appropriation for FY 2001, the approved FY 2001 amount assumes that all \$15,000,000 will, instead, come from the General Fund.

In both cases, the \$15,000,000 amount does not appear in the General Appropriation Act because it already has been appropriated in Section 67 of the Students FIRST bill. Likewise the \$35,000,000 in General Fund monies that also is included in the approved amount each year does not appear in the General Appropriation Act because it is provided through an automatic transfer of Transaction Privilege Tax revenues into the fund, rather than through a General Appropriation Act appropriation (pursuant to A.R.S. § 15-2002A(11)).

The Deficiencies Correction Fund exists pursuant to A.R.S. § 15-2021. Its purpose is to provide funding for the renovation of school buildings that do not meet state building adequacy standards established pursuant to A.R.S. § 15-2011. Deficiencies Correction funding is distributed to school districts based on an analysis of the adequacy of their existing buildings relative to those standards by board staff.

Building Renewal Fund — The approved FY 2000 amount for the Building Renewal Fund equals a total of \$82,500,000 (an increase of \$7,500,000), all from the General Fund. The approved FY 2001 amount for the fund equals a total of \$87,500,000 (a further increase of \$5,000,000)—also entirely from the General Fund. (As of June 3, 1999, the Board indicates that it would cost \$104,144,600 to fully fund the Building Renewal formula during FY 1999—its first year of implementation. Since the Students' FIRST legislation appropriated only \$75,000,000 to fund the formula in FY 1999, however, each school district's FY 1999 Building Renewal entitlement will be reduced by approximately 28% in order to limit total statewide distributions to the amount appropriated.)

Pursuant to A.R.S. § 15-2002.A(11), the approved amounts for both years will be provided through a direct transfer of Transaction Privilege Tax revenues into the fund, rather than through the General Appropriation Act. Therefore the approved amounts do not appear in the FY 2000 and FY 2001 General Appropriation Act. The FY 2000 amount is based on board instructions to the State Treasurer pursuant to A.R.S. § 15-2002.A(11), whereas the FY 2001 amount is an estimate. The actual amount of funding transferred to the fund for FY 2001 will be based on board instructions that are transmitted to the State Treasurer in by January 1, 2000, since the board has not yet estimated the funding requirement for the fund for FY 2001.

The Building Renewal Fund exists pursuant to A.R.S. § 15-2031. Its purpose is to provide funding for maintaining the adequacy existing school facilities. Building Renewal monies are distributed to school districts based on a formula established in A.R.S. § 15-2031.

Additional Legislation: Omnibus Budget Reconciliation; Education (Chapter 4, 1st Special Session) — Section 17 of this bill notwithstanding (for FY 2000 only) the requirement that the State Treasurer transfer to the New School Facilities Fund the amount prescribed by the School Facilities Board pursuant to A.R.S. § 15-2002, subsection A, paragraph 11. For FY 2000, the board prescribed a \$90,000,000 transfer. Section 17 of the Education ORB notwithstanding that amount and instead requires a \$200,000,000 transfer for FY 2000.

The Education ORB (Sections 18 and 19) also notwithstanding provisions in Title 15, Chapter 16 that require the board to establish minimum school facility adequacy guidelines before distributing monies from the New School Facilities Fund. This change is retroactive to January 1, 1999.

Prior Year Reversions: Administrative Monies Remaining from School Capital Facilities Board — Laws 1999, Chapter 6, 1st Special Session reverted \$300,000 in administrative monies that were appropriated to the State Board for School Capital Facilities by Laws 1996, Chapter 8, 5th Special Session. Since that board has now been replaced by the School Facilities Board, which has its own appropriations for administrative costs, the amount to be reverted is no longer needed.