ARIZONA STATE HOUSE OF REPRESENTATIVES
RESEARCH STAFF

TO: JOINT LEGISLATIVE AUDIT COMMITTEE

DATE: January 27, 2022

SUBJECT: Sunset Review of the School Facilities Oversight Board

Attached is the final report of the sunset review of the School Facilities Oversight Board which was conducted by the House and Senate Education Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Douglas A. Ducey

President of the Senate
Senator Karen Fann

Speaker of the House of Representatives
Representative Russell Bowers

Senate Members
Senator Paul Boyer, Co-Chair
Senator Nancy Barto
Senator Sally Ann Gonzales
Senator Rick Gray
Senator Theresa Hatathlie
Senator Christine Marsh
Senator Tyler Pace
Senator Thomas Shope

House Members
Representative Michelle Udall, Co-Chair
Representative Lupe Diaz
Representative John Fillmore
Representative Daniel Hernandez
Representative Joel John
Representative Quang Nguyen
Representative Jennifer Pawlik
Representative Beverly Pingerelli
Representative Judy Schwiebert
Representative Myron Tsosie

School Facilities Oversight Board
Arizona State Library, Archives & Public Records
House Republican Staff
House Democratic Staff
House Research Staff

Senate Resource Center
Senate Republican Staff
Senate Democratic Staff
Senate Research Staff
Office of the Auditor General
Final Report
January 2022

House Members
Representative Michelle Udall, Co-Chair
Representative Lupe Diaz
Representative John Fillmore
Representative Daniel Hernandez
Representative Joel John
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Senator Thomas Shope
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**Report 2022**

**Background**

Pursuant to A.R.S. § 41-2953, the Joint Legislative Audit Committee assigned the sunset review of the School Facilities Oversight Board (SFOB) to the House and Senate Education Committee of Reference for review.

Laws 2021, Chapter 404 created SFOB within the Division of School Facilities (Division), both of which are housed within the Arizona Department of Administration and transferred the powers and duties of the School Facilities Board to SFOB and the Division. SFOB is required to: 1) review and approve student population projections submitted by school districts for the purposes of New School Facilities Fund funding; 2) certify that plans for new school facilities meet the building adequacy standards; and 3) submit multiple reports detailing SFOB's and the Division's activities (A.R.S. § 41-5702). Furthermore, SFOB is responsible for reviewing all policies and procedures that the Division develops to administer the Emergency Corrections Deficiencies Fund and Building Renewal Grant Fund (A.R.S. §§ 41-5721, 41-5731).

SFOB consists of seven members: one member who represents a statewide organization of taxpayers, one member who is a registered professional architect, one member with knowledge and experience in school facilities management in a public school system, one member who is a registered professional engineer, two members who are owners or officers of a private construction company and have knowledge of and experience in constructing large commercial or government buildings and whose businesses do not include school construction and one member who represents the business community (A.R.S. § 41-5701.02).

SFOB is set to terminate on July 1, 2022 unless legislation is enacted for its continuation (A.R.S. § 41-3022.18).

**Summary of Committee Activity**

The House and Senate Education Committee of Reference met on January 11, 2022 to review the performance audit and sunset review conducted by the Auditor General, evaluate SFOB's response to the sunset factors and receive public testimony.

**Committee Recommendation**
The House and Senate Education Committee of Reference recommended that SFOB be continued for three years until July 1, 2025.
Appendix A:

January 11, 2022 House and Senate Education Committee of Reference
Minutes and Reference Materials
Interim agendas can be obtained via the Internet at http://www.azleg.gov /Interim-Committees

ARIZONA STATE LEGISLATURE
INTERIM JOINT MEETING NOTICE
OPEN TO THE PUBLIC

HOUSE EDUCATION COMMITTEE OF REFERENCE
AND
SENATE EDUCATION COMMITTEE OF REFERENCE

Date: Tuesday, January 11, 2022
Time: 2:00 P.M.
Place: HHR 1

Members of the public may access a livestream of the meeting here:
https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2022011016

AGENDA

1. Call to Order
2. Introduction
3. Sunset Review of the Arizona Board of Regents
   - Presentation by the Office of the Auditor General
   - Presentation by the Arizona Board of Regents
   - Public Testimony
   - Discussion and Recommendation
4. Sunset Review of the School Facilities Board
   - Presentation by the Office of the Auditor General
   - Presentation by the School Facilities Board
   - Public Testimony
   - Discussion and Recommendation
5. Review of the Arizona Department of Education – Empowerment Scholarship Accounts Program Special Audit
   - Presentation by the Office of the Auditor General
   - Presentation by the Arizona Department of Education
   - Public Testimony
   - Discussion
6. Adjourn

Members:
Senator Paul Boyer, Co-Chair
Senator Nancy Barto
Senator Sally Ann Gonzales
Senator Rick Gray
Senator Theresa Hatathlie
Senator Christine Marsh
Senator Tyler Pace
Senator T.J. Shope
Representative Michelle Udall, Co-Chair
Representative Lupe Diaz
Representative John Fillmore
Representative Daniel Hernandez, Jr.
Representative Joel John
Representative Quang Nguyen
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Representative Myron Tsosie

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ARIZONA STATE LEGISLATURE

HOUSE EDUCATION COMMITTEE OF REFERENCE
AND
SENATE EDUCATION COMMITTEE OF REFERENCE

Minutes of the Meeting
January 11, 2022
2:00 P.M., HHR 1

Members of the public may access a livestream of the meeting here:
https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2022011016

Members Present:
Senator Paul Boyer, Co-Chair
Senator Nancy Barto
Senator Sally Ann Gonzales
Senator Rick Gray
Senator Theresa Hatathlie
Senator Tyler Pace
Senator T.J. Shope
Representative Michelle Udall, Co-Chair
Representative Lupe Diaz
Representative John Fillmore
Representative Daniel Hernandez, Jr.
Representative Joel John
Representative Quang Nguyen
Representative Jennifer Pawlik
Representative Beverly Pingerelli
Representative Judy Schwiebert
Representative Myron Tsosie

Members Excused:
Senator Christine Marsh

Staff:
Laura Benitez, Senate Research Analyst
Maggie Sullivan, Senate Research Intern
Chase Houser, House Research Analyst
Meghan Rasmussen, House Research Intern

Co-Chair Udall called the meeting to order at 2:30 p.m. and attendance was noted.

INTRODUCTION

Co-Chair Udall welcomed everyone to the committee.
SUNSET REVIEW OF THE ARIZONA BOARD OF REGENTS

Presentation by the Office of the Auditor General

Jeff Gove, Deputy Director, Performance Audit Division, Office of the Auditor General distributed and explained a PowerPoint Presentation entitled "Arizona Board of Regents" (Attachment A).

Senator Gray commented on the role that the Arizona Board of Regents (ABOR) provides and the information presented above.

Mr. Gove answered questions posed by the Committee.

Presentation by the Arizona Board of Regents

John Arnold, Executive Director, Arizona Board of Regents, introduced Regent Lyndel Manson in the audience and distributed and explained a PowerPoint presentation entitled "Arizona Board of Regents" (Attachment B). Mr. Arnold answered questions posed by the Committee.

The Committee discussed property holdings, management of property, the model of the University's accountability and the findings of the Auditor General's report.

Lyndel Manson, Chair, Arizona Board of Regents, answered questions posed by Representative Fillmore.

Mr. Arnold returned to the podium to answer questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendation

Co-Chair Udall requested a motion on the recommendation.

Senator Boyer moved that the House Education Committee of Reference and the Senate Education Committee of Reference recommends that the Arizona Board of Regents be continued for five years. The motion CARRIED with a roll call vote of 13-4-1 (Attachment 1).

Senators Barto and Hatathlie and Representatives Fillmore, Hernandez and Udall explained their vote.
**SUNSET REVIEW OF THE SCHOOL FACILITIES BOARD**

**Representative Udall** explained that the School Facilities Board is no longer the School Facilities Board. It is now the School Facilities Oversight Board. The Division of School Facilities is now within Arizona Department of Administration (ADOA). There was a changeover in the middle of this audit because there were some issues and such so the recommendation will be to continue the School Facilities Oversight Board.

**Presentation by the Office of the Auditor General**

Jeff Gove, Deputy Director, Performance Audit Division, Office of the Auditor General distributed and explained a PowerPoint Presentation entitled "Arizona School Facilities Board" (Attachment C). Mr. Gove explained the legislative changes transferring the Board’s responsibilities to the ADOA and answered questions posed by the Committee.

**Presentation by the School Facilities Board**

Ashley Ruiz, Assistant Director, Division of Business and Finance, Department of Administration, gave a response to the Auditor General’s report and explained the new policy, procedures and overview for the School Facilities Oversight Board. Ms. Ruiz answered questions posed by the Committee.

**Public Testimony**

No public testimony took place.

**Discussion and Recommendation**

The Committee discussed school building inspections.

Co-Chair Udall requested a motion on the recommendation.

Senator Boyer moved that the House Education Committee of Reference and the Senate Education Committee of Reference recommends that the School Facilities Oversight Board be continued for three years. The motion CARRIED with a roll call vote of 16-1-1 (Attachment 2).
REVIEW OF THE ARIZONA DEPARTMENT OF EDUCATION – EMPOWERMENT SCHOLARSHIP ACCOUNTS PROGRAM SPECIAL AUDIT

Presentation by the Office of the Auditor General

Miguel Caro Mateus, Senior Performance Auditor, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Department of Education Empowerment Scholarship Accounts Program" (Attachment D). Mr. Mateus answered questions posed by the Committee.

Presentation by the Arizona Department of Education

Aaron Wonders, Deputy Director, Legislative Affairs, Arizona Department of Education, distributed and explained a PowerPoint presentation entitled "Empowerment Scholarship Account (ESA), 2019 Special Audit, January 11, 2022" (Attachment E).

Mr. Wonders responded to Representative Udall's questions regarding public records requests.

Public Testimony

No public testimony took place.

Discussion

No discussion took place.

There being no further business, the meeting was adjourned at 4:44 p.m.

Respectfully submitted,

Tracey Gardner
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate’s Office/Resource Center, Room 115. Audio archives are available at http://www.azleg.gov)
Arizona School Facilities Board

Presenter: Jeff Gove
Date: January 11, 2022
Board’s key responsibilities

• Distributing monies from Building Renewal Grant (BRG) and New School Facilities (NSF) Funds to help school districts build and maintain school facilities

• Inspecting school districts’ buildings to assess compliance with statutory requirements

• Maintaining database of school district buildings to help administer BRG and NSF Funds
Legislation transferred Board’s responsibilities to ADOA

- Board’s responsibilities transferred to newly established Division of School Facilities and School Facilities Oversight Board within ADOA

- Arizona School Facilities Board terminated
Most responsibilities transferred to Division

- Inspecting school buildings
- Reviewing, awarding, and overseeing BRG Fund grant applications, awards, and projects
- Maintaining school building database
Some responsibilities transferred to Oversight Board

- Approving districts’ enrollment projections for distributing monies to construct new school facilities
- Reviewing Division’s policies and procedures related to BRG Fund
- Oversight Board terminates July 1, 2022
Problem identified

Board has not conducted statutorily required school building inspections since 2017
Why this matters

Lack on inspections limits Board’s ability to assess compliance with statutory requirements important for ensuring student and staff health and safety and efficient use of monies
Recommendation

Board should continue developing district self-inspection program it began during the audit
Problem identified

Board’s database of school facilities has contained inaccurate square footage information for some school districts
Why this matters

Database inaccuracies could result in Board approving inaccurate or excess spending of new construction monies
Recommendation

- Ensure the accuracy of district school building square footage and usage information

- Review and audit school building square footage information in database for districts requesting monies to build new schools
Problem identified

Board approved enrollment projections for new construction awards that did not use most recently available average daily membership data
Why this matters

- Districts potentially received monies to accommodate student enrollment growth that may not materialize

- Example: Board’s projections for 4 of 5 districts overestimated actual 2020-2021 student enrollment
Recommendation

Board should follow its process to review and revise these districts’ enrollment projections prior to distributing monies for construction and adjust or cancel the awards if warranted.
Board progress from 2019 audit

- Identified 600+ BRG Fund projects open for 12 months or longer with more than $49 million in unspent project award monies

- Board has canceled or closed all projects, making more than $9 million available for other projects
Other recommendations

- Improve conflict-of-interest process
- Work with stakeholders and Legislature to help improve districts’ compliance with requirement to submit vacant space information