JOINT COMMITTEE ON CAPITAL REVIEW
June 12, 2003
8:30 a.m.
Senate Appropriations Room 109

AGENDA

- Call to Order

- DIRECTOR'S REPORT (if necessary).

- Approval of Minutes of March 26, 2003

1. ARIZONA DEPARTMENT OF ADMINISTRATION –
   B. Consider Approval of Partial Rent Exemptions for FY 2003.

2. ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF HEALTH SERVICES –
   Report on the Arizona State Hospital Construction Project.


The Chairman reserves the right to set the order of the agenda.
6/10/03

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MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, March 26, 2003

The Chairman called the meeting to order at 8:05 a.m. Wednesday, March 26, 2003 in Senate Appropriations Room 109 and attendance was as follows:

Members: Representative Pearce, Vice Chairman
Representative Biggs
Representative Boone
Representative Lopes
Representative Lopez

Absent: Representative Farnsworth
Representative Loredo

Staff: Richard Stavneak
Lorenzo Martinez
Tony Vidale

Others: John Arnold
Bret Cloninger
Katya Proctor
Gretchen Logan
Steve Ferrell

Representative Lopes moved to adopt the JCCR Rules and Regulations as presented. The motion carried.

ADOPTION OF COMMITTEE RULES

Lorenzo Martinez, JLBC Staff presented the Committee Rules and Regulations which are the same as the previous biennium except for an expansion and clarification of Rule 6 which lists some of the major statutory responsibilities of the Committee.

Representative Lopes moved to adopt the JCCR Rules and Regulations as presented. The motion carried.
ARIZONA DEPARTMENT OF ADMINISTRATION – Consider Approval of FY 2004 and FY 2005 Rental Rates for State-Owned Space.

Tony Vidale, JLBC Staff, presented the Arizona Department of Administration (ADOA) request that the Committee determine the FY 2004 and FY 2005 rental rates for state-owned office and storage space.

The JLBC Staff recommends that the Committee approve the recommendations of ADOA. The proposal represents no change from the FY 2003 rental rates for state-owned space. The rates would remain at $15.50 per square foot for office space and $6 per square foot for storage space. Rent paid for state-owned space is deposited in the Capital Outlay Stabilization Fund (COSF).

Senator Waring moved the Committee approve the FY 2004 and FY 2005 rental rates for state-owned space and state-owned storage space as recommended by the Lease Cost Review Board. The FY 2004 and FY 2005 rental rate will remain at $15.50 per square foot for office space and $6.00 per square foot for storage space. The motion carried.

SCHOOL FACILITIES BOARD


Jake Corey, JLBC Staff, presented the School Facilities Board request that the Committee review its proposal to distribute $38.3 million of Building Renewal Fund monies for FY 2003. An updated distribution list was received earlier in the week. The distribution to individual school districts has changed, but the total amount distributed remains the same. The JLBC Staff recommends a favorable review of the proposed distribution of the monies. The board distributed the first half March 21st and will distribute the remaining half in May, 2003.

Senator Waring moved the Committee give a favorable review to the FY 2003 building renewal allocation plan. The motion carried.


Jake Corey, JLBC Staff, presented the School Facilities Board (SFB) report on its findings in regard to its assessment of deficiencies at the Arizona State Schools for the Deaf and the Blind (ASDB).

This item is for information only and no Committee action is required. The SFB estimates a total cost of between $21,531,800 and $22,867,800 to correct all existing deficiencies at ASDB. Pursuant to Laws 2002, Chapter 330, any monies to correct deficiencies at ASDB are subject to legislative appropriation. SFB has not included these costs in its instructions to the Treasurer to transfer $280 million to the Deficiencies Correction Fund in FY 2004. SFB assessed ASDB against the adopted minimum guidelines.

In reply to Representative Lopez, Mr. Corey stated any appropriation made would be at the discretion of the Legislature.

JOINT COMMITTEE ON CAPITAL REVIEW – Consider Adoption of FY 2004 Capital Outlay Recommendation.

Lorenzo Martinez, JLBC Staff reviewed the major policy issues of the JLBC vs. the OSPB Capital Outlay Recommendations as indicated in the table below:
**FY 2004 COMPARISON OF MAJOR POLICY ISSUES**

**CAPITAL OUTLAY**

<table>
<thead>
<tr>
<th>MAJOR ISSUES</th>
<th>JLBC BUDGET</th>
<th>EXECUTIVE BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Budget (Pg. CB-1)</td>
<td>FY 2004</td>
<td>FY 2004</td>
</tr>
<tr>
<td></td>
<td>• $500,000 GF Total</td>
<td>• $30,100 GF Total</td>
</tr>
<tr>
<td></td>
<td>• $275.1M OF Total</td>
<td>• $164.2M OF Total</td>
</tr>
</tbody>
</table>

**BUILDING RENEWAL**

<table>
<thead>
<tr>
<th>ADOA Building System (Pgs. CB-3, 4)</th>
<th>Provides 5 FTE Positions and $3.5M from the Capital Outlay Stabilization Fund (COSF) to fund 18.5% of formula for ADOA.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADOA $3,500,000</td>
</tr>
<tr>
<td></td>
<td>State Fair Board No recommendation</td>
</tr>
<tr>
<td></td>
<td>Game and Fish No recommendation</td>
</tr>
<tr>
<td></td>
<td>Lottery No recommendation</td>
</tr>
<tr>
<td>ADOA $1,894,900</td>
<td>State Fair Board $332,400 (28%)</td>
</tr>
<tr>
<td></td>
<td>Game and Fish $323,300 (100%)</td>
</tr>
<tr>
<td></td>
<td>Lottery $37,900 (100%)</td>
</tr>
</tbody>
</table>

| ADOT Building System (Pg. CB-5)     | Provides 1.6M from the State Highway Fund and $32,000 from the State Aviation Fund to fund 50% of formula.        |

**NEW PROJECTS – ADOA Building System**

<table>
<thead>
<tr>
<th>ADOA-Health Laboratory Lease-Purchase (Pgs. DHS-11, CB-3)</th>
<th>Transfers funding for the lease-purchase payment to the DHS operating budget, which includes $2.4M from the General Fund.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provides $2.4M from COSF for the lease-purchase payment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADOA-DHS Privatized Lease to Own (Pgs. CB-3, 4)</th>
<th>Provides 3 FTE Positions and $580,000 from the Capital Outlay Stabilization Fund for Project Management and Relocation expenses related to relocating DHS functions from private space to the new DHS privatized lease-to-own building on the Capitol Mall.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Same proposal, but funds $291,800 from COSF and recommends ADOA use $288,400 from prior years’ non-lapping appropriations for relocation costs. The JLBC budget proposal recommends these non-lapping appropriations revert to the General Fund.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Game and Fish Projects (Pgs. CB-3, 4)</th>
<th>No recommendation.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provides $783,300 from the Game and Fish Fund, $1.3M from the Game and Fish Capital Improvement Fund and $100,000 from the Waterfowl Conservation Fund for projects related to facility renovation and expansion, shooting range development, and waterfowl wetland acquisitions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Highway Construction (Pgs. CB-5, 6, 7, 8)</th>
<th>Provides $254.2M from the State Highway Fund for highway construction in the following amounts:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statewide Highway Construction $113.2M</td>
</tr>
<tr>
<td></td>
<td>Debt Service $62.2M</td>
</tr>
<tr>
<td></td>
<td>Controlled Access Highways $78.7M</td>
</tr>
</tbody>
</table>

| Highway Construction (Pgs. CB-5, 6, 7, 8) | Provides $15.2M for the airport construction program.                                              |

**NEW PROJECTS – ADOT Building System**

<table>
<thead>
<tr>
<th>Provides $156.6M from the State Highway Fund.</th>
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</thead>
</table>

**ADVANCE APPROPRIATIONS**

<table>
<thead>
<tr>
<th>ADOA-Pioneers’ Home Renovations (Pg. CB-3)</th>
<th>Funds $500,000 from the General Fund to complete plumbing renovations at the Arizona Pioneers’ Home.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recommends retaining $30,100 of the advance appropriation from the General Fund and funding the remaining $469,900 from the Legislative, Executive, and Judicial Public Buildings Land Fund.</td>
</tr>
</tbody>
</table>

In reply to Senator Soltero, Mr. Martinez stated that the Legislative, Executive, and Judicial Public Buildings Land Fund is like a Trust Fund. The Trust Fund is used for Legislative, Executive and Judicial purposes and receives approximately $400,000 to $500,000 a year in interest earnings.
Representative Biggs asked what transportation projects would be put on hold if the OSPB budget is adopted. Mr. Martinez stated the projects would be at the discretion of the Transportation Board which develops a 5-year Construction Program. Depending on the funds available, they would probably reprioritize the funding.

Bret Cloninger, OSPB stated that under the OSPB proposal, they would not reduce funding available for the existing 5-year Construction Plan. OSPB is not anticipating any affect on the existing plan for Department of Transportation as additional funding would be available from bond proceeds.

Richard Stavneak, JLBC Staff mentioned that the Executive proposal would do additional financing of some sort in order for this to not have a detrimental impact.

Mr. Cloninger mentioned that there will be a movement forward of some bonding to allow OSPB to capture the operating budget savings over a number of years. Their planned operating budget is being cut by $25 million over the next 5-years and by moving the bonding forward that enables OSPB to capture the monies up front.

Senator Cannell asked if moving forward with the state lab will have an impact on the Department of Health (DHS) budget. Mr. Stavneak stated that $2.4 million was put in the capital budget in 2003 from the General Fund and it was moved out of the Capital budget and into the DHS operating budget in FY 2004. The department will not be affected.

Representative Lopez asked if the Capital Outlay budget could be amended to include the ASDB issues; also, is there a way under session law to address the deficiencies by allowing the SFB to use unobligated bond proceeds. Mr. Martinez said that there would have to do some research to find out if that is possible.

Representative Pearce expressed concern regarding the Executive transportation proposal and the impact it would have on the freeway system.

In answer to Senator Soltero, Chairman Burns said the Capital Outlay Budget would not be adopted today.

Bret Cloninger presented the executive plan that allows the transfer of $128 million of VLT revenues from the HURF to the General Fund for use for caseload growth and other elements of the operating budget without reducing the funding for the current 5-year transportation construction plan. Both budgets provide the same level of cuts in the operating budget for ADOT.

Mr. Cloninger said that it is possible to sweep from the Game & Fish Fund, but you would essentially be losing all of the federal participation in the Game & Fish Program that totals approximately $15 million. The Game & Fish Department is considering a relocation and the Executive plan is to revert the previously appropriated monies for the Deer Valley Expansion project pending the outcome of relocation research. This allows reverted monies to be spent on other projects.

The last issue is the Pioneers’ Home plumbing renovation. The Executive proposed using all the available spendable monies from the Legislative, Executive and Judicial Trust Fund to save $469,000 in the General Fund.

Mr. Steve Ferrell, Deputy Director, Game & Fish Department stated that all the revenues in their budget are from hunting and fishing license fees. There are state and federal laws that prohibit the use of those monies for anything but fish and wildlife management purposes, otherwise the state becomes ineligible
for $15 million in federal entitlements. Some of the critical issues are the Bellemont Shooting Range, Tri-State Range near Bullhead City and the replacement of equipment at a fish hatchery. The money that is in the state budget would be matching the federal dollars to put a clarifier in the hatchery.

In response to Representative Pearce, Mr. Ferrell stated that there is litigation on-going at the Bellemont Shooting Range.

The meeting adjourned at 8:50 a.m.

__________________________
Jan Belisle, Secretary

__________________________
Lorenzo Martinez, Assistant Director

__________________________
Senator Robert “Bob” Burns, Chairman
DATE: June 11, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tony Vidale, Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION – REVIEW OF RISK
MANAGEMENT CAPITAL CONSTRUCTION INSURANCE RATES

Request

The Arizona Department of Administration (ADOA) requests that the Committee review its proposed rate for the Construction Insurance Fund. ADOA proposes setting the rate at 0.34%.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the request. The current rate is 0% and the Construction Insurance Fund balance is projected to be depleted by the end of FY 2003.

Analysis

A.R.S. § 41-622D provides that the ADOA Contraction Insurance Fund shall receive monies from each capital construction project at rates established by ADOA and reviewed by the JCCR. Starting in FY 1999, the fund has covered the cost of construction-related liability losses. The monies cover the cost of purchasing insurance, providing self-insurance, and administering the fund. The state and its contractors are each responsible for their own portion of any shared negligence. Monies in the fund are non-appropriated and exempt from lapsing. The fund also includes payments from state Owner Controlled Insurance Programs (OCIPs), which are set on a case-by-case basis to reflect actual costs. OCIPs are “wrap-up” policies for projects over $50,000,000, which cover all owner and contractor insurance costs. Where feasible, OCIPs result in reduced costs for the state and the contractor.

The current rate for the Construction Insurance Fund was reviewed by the Committee in June 2000. The rate was set at 0.0% because there was a sufficient fund balance available to pay forecasted claims. ADOA expects the funds covering construction and design claims will be depleted by the end of FY 2003. The beginning balance in FY 2003 was $1,532,500.

(Continued)
ADOA has calculated a new construction and design rate of .34%. These charges do not represent additional monies needed to complete construction projects but are charges assessed to capital appropriations in each fiscal year.

Based on the Arizona Department of Transportation estimate for new construction of $938,024,000 next year, the rate would generate $3,189,300. These amounts would be paid from the construction budgets for capital projects. If the legislature approves new projects for the universities, the rate would also be applied to the new projects.

The JLBC Staff recommends a favorable review of the request.

RS/TV:jb
DATE:       June 11, 2003

TO:         Senator Bob Burns, Chairman
            Members, Joint Committee on Capital Review

THRU:       Richard Stavneak, Director

FROM:       Tony Vidale, Fiscal Analyst

SUBJECT:    ARIZONA DEPARTMENT OF ADMINISTRATION – CONSIDER APPROVAL OF
            PARTIAL RENT EXEMPTIONS FOR FY 2003

Request

The Arizona Department of Administration (ADOA) has forwarded various agency requests for the Committee to recommend partial rent exemptions.

Recommendation

The JLBC Staff recommends the Committee approve the request for ADOA to authorize the following General Fund partial rent exemptions in FY 2003, totaling $385,000:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rent Exemption Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Administration</td>
<td>$ 600</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>33,100</td>
</tr>
<tr>
<td>AHCCCS</td>
<td>19,000</td>
</tr>
<tr>
<td>Commission on the Arts</td>
<td>6,300</td>
</tr>
<tr>
<td>Auditor General</td>
<td>32,000</td>
</tr>
<tr>
<td>State Banking Department</td>
<td>17,400</td>
</tr>
<tr>
<td>Department of Economic Security</td>
<td>13,600</td>
</tr>
<tr>
<td>Board of Executive Clemency</td>
<td>5,100</td>
</tr>
<tr>
<td>Department of Health Services</td>
<td>44,500</td>
</tr>
<tr>
<td>Department of Insurance</td>
<td>37,200</td>
</tr>
<tr>
<td>Department of Juvenile Corrections</td>
<td>47,200</td>
</tr>
<tr>
<td>Department of Mines and Minerals</td>
<td>106,000</td>
</tr>
<tr>
<td>Department of Real Estate</td>
<td>23,000</td>
</tr>
<tr>
<td>Total Rent Exemptions</td>
<td>$ 385,000</td>
</tr>
</tbody>
</table>

(Continued)
Analysis

Pursuant to A.R.S. § 41-792.01D, the Joint Committee on Capital Review is authorized to recommend to the Director of ADOA a whole or partial exemption from payment of rent if an agency does not have the financial resources for rent of state-owned space or vacates state-owned space at the beginning of the fiscal year.

Board of Executive Clemency
Beginning in FY 2003, the third floor of 1645 West Jefferson was reallocated to reflect the transfer of space from the Board of Executive Clemency (ABEC) to the Department of Corrections (DOC). This move adjusted ABEC space from 9,666 square feet to 8,394 square feet, a reduction of 1,272 square feet.

The FY 2003 rent requirement for ABEC was $152,800, however, the agency was appropriated $147,700 and required to absorb the rent increase. Given the reduction in office space for ABEC, the JLBC Staff recommends a partial General Fund rent exemption of $5,100 in FY 2003. This would require ABEC to pay the $147,700 budget for rent in FY 2003. Since DOC acquired the 1,272 square feet vacated by ABEC, ADOA will charge DOC the greater of rent reported by JLBC Staff or rent based on actual occupancy.

Department of Juvenile Corrections
The FY 2003 rent requirements for DJC were calculated using the incorrect square footage allocations for office and storage space. As a result of the miscalculation, the DJC base budget for rent was underfunded by $47,200.

The Department of Mines and Mineral Resources
The FY 2003 rent requirement for the Department of Mines and Mineral Resources (MMR) was $368,100, which accounts for 57% of the agency’s operating budget. Currently, MMR has paid $261,500 in rent to ADOA and has an outstanding balance of $106,000. Considering FY 2003 budget reductions, the only funding remaining in the budget is Personal Services and Employee Related Expenditures (ERE). Transferring additional funds to cover the rent charge would require a reduction in current staff.

Other Agencies
All of the remaining agencies listed in the Recommendation section occupied office space in 7 buildings whose lease-purchase was completed in FY 2003 and converted to state-owned office space. Prior to completion of the lease-purchase, these agencies were budgeted at a rate of $13.50 per square foot. After the lease-purchase completion, agencies occupying space in these buildings were assessed the ADOA rental rate of $15.50 per square foot for state-owned office space. Rent charges were increased from $15.00 per square foot in FY 2002 to $15.50 per square foot in FY 2003. While funding for the increases for Other Funds was incorporated into agencies’ FY 2003 budgets, rent increases for agencies funded with General Fund monies were not included and they were required to absorb the additional rent cost.

The recommended rent exemptions represent the difference between the $13.50 per square foot appropriated in these agencies’ FY 2003 budgets and what the required payment would be at $15.00 per square foot.

Rental fees assessed on agencies by ADOA are deposited into the Capital Outlay Stabilization Fund (COSF). The recommended exemptions as noted would still leave COSF with a FY 2004 ending balance of approximately $400,000.

RS/TV:jb
DATE:  June 10, 2003

TO:    Senator Bob Burns, Chairman
       Members, Joint Committee on Capital Review

THRU:  Richard Stavneak, Director

FROM:  Beth Kohler, Fiscal Analyst

SUBJECT:  ARIZONA DEPARTMENT OF ADMINISTRATION/ DEPARTMENT OF HEALTH SERVICES - REPORT ON THE ARIZONA STATE HOSPITAL CONSTRUCTION PROJECT

Request

Pursuant to Laws 2000, Chapter 1, the Arizona Department of Administration (ADOA) and the Department of Health Services (DHS) are providing the quarterly status reports dated February 10, 2003 and May 22, 2003 on the Arizona State Hospital (ASH) demolition and construction project.

Recommendation

This item is for information only and no Committee action is required. The major components of the project are all nearing completion.

Analysis

Background
Laws 2000, Chapter 1, as amended by Laws 2000, 7th Special Session, Chapter 1, and Laws 2002, 2nd Special Session, Chapter 3, appropriated $77.5 million from the Budget Stabilization Fund over 4 years for the demolition, construction and renovation of ASH. ADOA is to use the appropriations to provide at least 176 new civil beds at ASH, and to renovate and expand existing facilities to address physical plant needs for civil and forensic populations, an adolescent unit, and sexually violent offenders. The legislation also created the Arizona State Hospital Capital Construction Commission and charged them with reviewing capital construction and renovation plans at ASH for the purpose of making recommendations to ADOA and JCCR. ADOA and DHS are required to report at the end of each quarter to the Committee on the status of the ASH project.

(Continued)
Quarterly Update and Status Report
Laws 2002, 6th Special Session, Chapter 1 transferred $13.4 million ($10.4 million from the appropriation and $3 million in interest earnings) from the Arizona State Hospital Capital Construction Fund. This leaves the net budget for the ASH projects at $67.1 million.

The table below displays the originally budgeted amounts for each portion of the ASH demolition and construction project, and the revised budget after the reductions included in Chapter 1.

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Revised Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>By Project</td>
<td>By Project</td>
</tr>
<tr>
<td>SVP Program</td>
<td>$ 5,869,200</td>
<td>$ 5,869,200</td>
</tr>
<tr>
<td>Civil Hospital and Adolescent Facility</td>
<td>45,037,700</td>
<td>45,037,700</td>
</tr>
<tr>
<td>Sitework/Tunnels/Telephone/Data</td>
<td>12,364,900</td>
<td>12,364,900</td>
</tr>
<tr>
<td>Forensic Hospital</td>
<td>12,685,000</td>
<td>2,285,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>1,543,200</td>
<td>1,543,200</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$77,500,000</strong></td>
<td><strong>$67,100,000</strong></td>
</tr>
</tbody>
</table>

In addition, Laws 2003, 1st Special Session, Chapter 2 prohibits ADOA from using any unexpended or unencumbered monies in the fund for forensic hospital renovations or expansions. Therefore, the only renovations that will occur at the forensic hospital are the installation of a replacement security fence and new lighting, which are expected to be completed in September 2003.

ADOA reports that the other major projects at the State Hospital are all essentially complete. All cleanup, paperwork, and finishing touches are expected to be completed by the end of the calendar year. The following paragraphs summarize the work completed thus far.

The Committee favorably reviewed an expenditure plan for construction of 2 new 60-bed dormitories for the Sexually Violent Persons (SVP) program using the Inmate Construction program. Both dormitories are now complete.

The Committee has also favorably reviewed an expenditure plan to address infrastructure issues at ASH, including telecommunications expansion, repair of sewer lines, repairs to address water temperature control issues, as well as Central Plant repairs. Infrastructure rerouting is now complete and ADOA has completed all Central Plant upgrades.

The civil and adolescent facilities are now substantially complete and patients have moved into the buildings.

In August of 2001, the Committee favorably reviewed an expenditure plan for the renovation of Cholla Hall for use as a support building for the SVP program. Renovation of this facility was completed in February 2003.

The demolition and paving for the site are complete and are awaiting finishing touches. In addition, enclosure of the SVP facility with a block fence and chain link is complete, with microwave detection to be completed in June 2003.

RS/BK:ck
DATE: June 10, 2003

TO: Senator Bob Burns, Chairman
    Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: SCHOOL FACILITIES BOARD – TEMPORARY FUND TRANSFER

Request

The School Facilities Board (SFB) is reporting its plans to transfer up to $89 million from the New School Facilities Fund to the Deficiencies Correction Fund. The purpose of the transfer is so that the board may continue to fund deficiencies correction projects until the time it receives the financing from any bonding agreements. Proceeds from the bonding agreements will be used to reimburse the New School Facilities Fund.

Recommendation

This item is for information only and no Committee action is required.

Analysis

A.R.S. § 15-2002(L) grants SFB the authority to temporarily transfer monies between funds if 1) the transfer is necessary to avoid a temporary shortfall in the fund into which monies are transferred, 2) the transferred monies are restored to the originating fund as soon as the temporary shortfall in the other fund has been addressed, and 3) SFB reports to the Committee the amount of and reason for any monies transferred.

As part of the FY 2004 budget agreement, both the Executive and the Legislature are proposing to fund remaining deficiencies correction costs with $280 million in bond proceeds. Without the bond proceeds, the board currently estimates it will have depleted all of its remaining deficiencies correction funding resources by the middle of July 2003. If SFB does not receive the bond proceeds until after mid-July 2003, the board proposes funding deficiencies correction projects with any available monies in the New School Facilities Fund until the time the board receives the bond proceeds. Currently the New School Facilities Fund has a balance of $89 million.

RS/JC:jb