

**STATE OF ARIZONA  
SCHOOL FACILITIES BOARD**

**Meeting Date: February 5, 2009**

**Agenda Item IVa.**

**Subject: IV. Director's Report (action of the Board may be requested)**

**a. Legislative/Budget Update**

The first regular session of the 49th Legislature started on January 12. SFB staff will update the Board on budget and legislative efforts that could impact the SFB.

**Budget Updates**

**Federal Stimulus Package-House bill**

The House Stimulus Package bill includes \$14 billion for school modernization, renovation and repair. The proposal distributes these dollars to the states according to the Title 1 A formula. This formula uses census poverty data to allocate funds. According to the House Committee on Education and Labor, the estimated distribution to Arizona is approximately \$275 million.

Dollar Flow

Each state allocation is distributed to the state. These dollars would be received by either the SFB or the Department of Education. One percent of the state's allocation can be retained by the state to provide technical assistance and to develop a plan to develop a database of schools and school needs including energy efficiency and carbon footprint. The plan must also include the development plan for a school energy efficiency quality plan.

The state must distribute the balance of the funds to each school district within 30 days according to the Title 1 A formula, except that no district can receive less than \$5,000. States are not allowed to supplant these funds for state funds that would otherwise be available.

Each district that receives funds must enter into a contract to expend 50 percent of the funds within one year and all of the funds within two years. Please note that if the district will complete the required tasks with district personnel, a written expenditure plan counts as a commitment to spend.

If a district does not meet the above deadlines, the state shall reallocate the funds to other school districts that can use the dollars within 120 days.

Allowable Uses

Any repair or upgrade activity is allowable including the purchase of technology equipment and software. The only non-allowable uses listed are preventative maintenance activities and use on stadiums or other facilities that are used primarily for athletic events. Districts must use procurement that will maximize the number of bidders and when applicable, they must use steel manufactured in the USA.

Additionally, school districts must use an “equitable” portion of the funds for charter schools located within the boundaries of the school districts. The amount should be determined based on the percentage of low income families attending the charter schools and facility needs as determined by the school district.

Twenty-five percent of all funds must be spent in accordance with LEED, Energy Star, ChPS, or Green Globes provisions.

#### Reporting

The school district must report expenditures by projects and by school. The district must also report funds granted to charter schools.

#### Flaws

Forcing the state to distribute the funds based on federal formula creates a number of difficulties. First, the dollars will not be distributed based on need. Therefore, despite the federal funds, several districts may continue to have unaddressed deficiencies. Further, 55 districts receive less than \$100,000, others receive \$0. Only 61 school districts receive more than \$1 million, only 3 more than \$10 million, and one (TUSD) more than \$20 million. Thirteen districts receive more than 50 percent of the funds. One transporting district (no facilities) receives \$13,800.

#### **Federal Stimulus Package-Senate bill**

The Senate Stimulus Package bill appropriates \$16 billion for school renovation projects. Of this, 3 percent is retained by the US Department of Education, 1 percent for BIA schools and 2 percent for Impact Aid districts. The balance is distributed to states based on the Title 1 A formula. Arizona’s share would be approximately \$300 million.

Within Arizona, the state agency may use up to 1 percent of the funds for administration. The state agency must use part of those funds to develop a state level database of schools, their condition, and use. If the state agency does not oversee school facilities, the state agency must transfer 75 percent of the administration funds to the agency that does oversee school facilities.

#### Distribution to School Districts

The Senate bill divides school districts into four categories:

Top 100 districts that serve the most students who are poor children

If a local school district is one of the top 100 poorest districts in the country, the state agency must transfer within 60 days to that district a percentage of the funds based on the Title 1 A distribution. These districts will give priority to funding projects that are certified, verified or consistent with green principles.

High Need Local Education Agencies

Funds are distributed based on a competitive process (described below), however, the aggregate amount awarded to this group must equal or exceed the aggregate of what they would have received if the distribution was made according to Title 1 A.

Rural Districts

Funds are distributed based on a competitive process (described below), however, the aggregate amount awarded to this group must equal or exceed the aggregate of what they would have received if the distribution was made according to Title 1 A.

## Other Districts

The balance of funds is distributed based on a competitive process.

### Competitive Process

1. Percentage of poor children
2. Facility needs
3. The extent that the repairs will be green
4. District capability to expedite projects
5. The ability of the district to correct issues without federal funds
6. District's ability to maintain the facility
7. Charter schools – if a charter school is involved, the ability of the charter to access other funds

The state agency may require a local match.

### Uses

Funds may be used to upgrade, repair, construct, or replace building systems. Funds may be used in pre-kindergarten centers. Funds may not be used on stadiums, buildings that are not used for education, and for the purchase of technology hardware.

### Supplanting

States are not allowed to use these funds to supplant local funds that would have been available, unless the state is under a court order to fund school facilities. SFB staff is currently investigating whether Arizona's court decisions relating to school finance qualify as a court order.

### Procurement

School districts must use a procurement method that maximizes the number of bidders.

### Reporting

School districts must report the following information to the state education agency.

- The source of any non-federal funds used to complete the project.
- Person hours needed at various wage levels to complete the project.
- Anticipated energy or natural resource savings.

The state agency must report to the Federal Department of Education by December 31, 2010.

## **Budget Proposals**

FY 2009

New Construction – No impact

Building Renewal - Sweeps \$13 million in Building Renewal Grant funds.

Other Impacts

- Sweeps approximately \$3 million in interest earned on debt service funds.
- Reduces the SFB operating budget by \$451,700. This equates to 23% of the annual budget and 56% on an annualized basis.

FY 2010 – Appropriation Chair's Proposal

New Construction – No dollars are provided.

- For facilities purposes, view kindergarten students as ½ students.
- Continue New School Construction Moratorium.
- Restrict the SFB from providing inflation funds above the new construction formula.
- Change the award process so new schools are awarded based on current ADM and not projected ADM.

Building Renewal – No dollars are provided.

Suspend the Building Renewal formula for FY 2010.

**Board Action Requested:  information  action / described below**

**Attachments: Yes  No**