

Five-Year
Strategic Plan

SCHOOL FACILITIES BOARD

FY 2013 — FY 2017

EXECUTIVE SUMMARY

New School Construction

Issue 1

With the termination of the Deficiencies Corrections program, the School Facilities Board has continued to oversee the new school construction program. The slowdown in the economy has had a direct impact on the need for new schools. This is reflected in the FY 2011 new school construction awards and the projected awards for FY 2012 and FY 2013. However, even with the slowdown in ADM growth, several school districts continue to add new students and will need new schools in the immediate future.

Other factors that drive new school construction costs include inflation, quality school standards, development fees and impact fees, and eligible adjacent ways costs that are not funded by districts' adjacent ways levies. Each year the Joint Legislative Budget Committee is required to adjust the cost per square foot for construction market considerations. Additionally, with the shift from a formula program to a cost program due to increased construction costs, the School Facilities Board studied and took public input about how to apply minimum guideline standards, which were defined for Deficiencies Corrections and are vague in nature, to a new school construction setting. In February 2007, the Board decided what design elements or items should be included in a school that is over budget and requires additional funds above what the statutory formula provides. Laws 2009, 3rd S.S., Ch. 12, §44 amends A.R.S. §15-2041 Paragraph D.3.(c), clarifying that the SFB may only modify the base cost per square foot for particular schools based on geographic conditions or site conditions. The Board may no longer award increases for inflation. However, there has been a significant increase in development fees and impact fees charged by cities and counties.

Building Renewal

Issue 2

The building renewal program has a complicated history that began in 1999 when several school districts sued the State (Roosevelt v. Bishop) asserting that the Students FIRST Act as implemented did not meet the requirements of the State Constitution because the State failed to fully fund the Building Renewal formula for fiscal years 1999, 2000, and 2002. On January 18, 2011, the Superior Court dismissed the case without prejudice.

Since FY 2009, the Legislature suspended the building renewal program and temporarily replaced it with a building renewal grant program. Under this program, school districts may apply for funding to correct systems that no longer meet the State minimum guidelines. This system is reactionary in nature and does not efficiently address the requirement to maintain the State's academic infrastructure.

Laws 2005, Chapter 287, Section 7 repealed the Deficiencies Corrections program as of June 30, 2006. However, the SFB continues to provide emergency deficiency services through the Emergency Deficiencies Corrections program. The main issue facing this program's long-term viability is lack of a dedicated funding source. A.R.S. §15-2022 provides that revenues consist of monies transferred from the Deficiencies Corrections Fund, which no longer exists, or the New School Facilities Fund as long as the transfer will not affect, interfere with, disrupt or reduce any approved capital projects. With inflationary pressures impacting the New School Facilities Fund coupled with the ongoing program growth, as well as the recent shortfall, the New School Facilities Fund is not a viable funding source once existing cash balances in the Emergency Deficiencies Corrections Fund are depleted, which will likely happen in FY 2012.

In order to protect the State's academic infrastructure, the Legislature directed the School Facilities Board to help school districts establish preventative maintenance (PM) programs and then perform inspections to review the implementation of those programs. The School Facilities Board has adopted a general set of preventative maintenance guidelines and districts are required to perform the guideline tasks for the various building systems.

Currently, the law does not provide a dedicated funding source for preventative maintenance. However, A.R.S. §15-2031 subsection J allows school districts to use eight percent of the building renewal amount generated by the statutory formula for routine preventative maintenance, which are services that are performed on a regular schedule at intervals ranging from quarterly, semi-annually and annually that are intended to extend the useful life of a building system and reduce the need for major repairs. With the suspension of the building renewal funding, the preventative maintenance program has lost all available funding.

FIVE-YEAR STRATEGIC PLAN

Mission

To provide financial and technical assistance to help ensure that school districts maintain buildings and equipment at minimum adequacy standards so that students can achieve academic success.

Description

The School Facilities Board was created by Laws 1998, 5th Special Session, Chapter 1 through legislation commonly known as Students FIRST (Fair and Immediate Resources for Students Today). The School Facilities Board consists of nine gubernatorial appointed voting members and the Superintendent of Public Instruction who serves as a non-voting member. The Board is charged with the administration of three capital programs: a) New School Facilities, b) Building Renewal, and c) Emergency Deficiencies Corrections.

In order to effectively evaluate the State's school capital needs, the Board maintains a facilities database consisting of information reported by each school district that aids the Board in determining the funding level for building renewal and the construction of new facilities. Through periodic inspections, the Board is mandated to ensure compliance with building adequacy standards and routine preventative maintenance guidelines with respect to the new construction of buildings and maintenance of existing buildings. The Board also administers an Emergency Deficiencies Corrections program in the event that a school district has a serious need for materials, services, construction, or expenses in excess of the district's adopted budget that seriously threatens the functioning of the school district, the preservation or protection of property or public health, safety, and welfare.

New School Construction

Issue 1

Funding

From the program's inception until 2003, the New School Construction program was funded on a cash basis from transaction privilege tax transfers. Beginning in FY 2003 and continuing through FY 2005, the Legislature replaced the School Facilities Board's authority to request transaction privilege tax transfers directly from the State Treasurer with the authority to enter into lease-to-own (LTO) transactions and provided appropriations to pay for the new school facilities debt service. Laws 2005, Ch. 287, section 5 repealed the School Facilities Board's authority to instruct the Treasurer, and the Legislature instead directed the Treasurer to transfer a specific sum in the amount of \$250 million for FY 2006 along with an advance appropriation of \$50 million for FY 2007. Laws 2006, Chapter 344 appropriated \$200 million from the General Fund to the New School Facilities Fund, of which \$4 million was for Full-Day Kindergarten. Finally, Laws 2006, Chapter 353 eliminated the School Facilities Board ability to enter into lease-to-own transactions, as it was the Legislature's desire to permanently fund new school construction on a pay-as-you-go basis.

Due to the fiscal downturn, in FY 2009, the Legislature returned to lease-to-own financing. The FY 2009 budget authorized the SFB to not only fund FY 2009 new construction costs with LTO financing, but also to refund the majority of FY 2008 new school construction costs. In addition, the budget bill placed a moratorium on all new school construction starts for FY 2009. While the New School Construction moratorium remained in effect for FY 2011 and FY 2012, the Legislature provided \$100 million in lease-to-own authority for the construction of new schools in FY 2010.

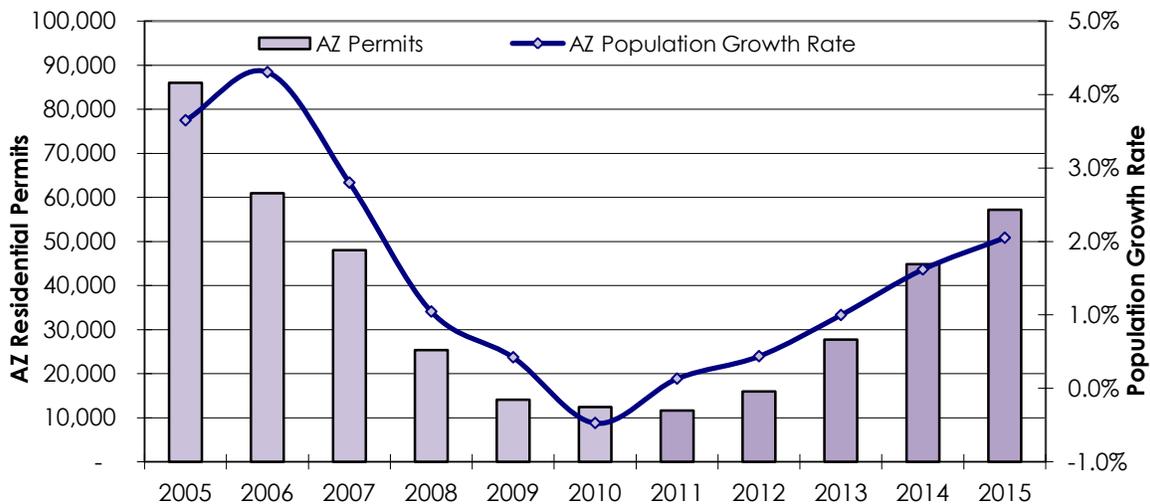
Land acquisition and new school construction funded from this authority are exempt from the moratorium. For FY 2012 the authority continued through a Qualified School Construction Bond program.

Outlook

The School Facilities Board's five-year outlook for new construction shows a continued need for new schools.

The chart below shows population growth and the number of residential housing permits in Arizona by year. For calendar years 2005 through 2010, actual numbers of residential permits are used; for 2011 and later years, the numbers are projected by University of Arizona in the September 2011 issue of *Arizona's Economy*. The decline in residential construction started in the fall of 2005 and continued through 2011. The trend is projected to reverse in 2012. The population growth rate exhibits a close relationship with residential construction. It dropped to below 0% in 2010, and is projected to gradually rebound to 2% in the next few years according to the March and September 2011 issues of *Arizona's Economy*.

Chart 1:
Actual and projected new residential permits in Arizona
(Source: *Arizona's Economy*, various issues 2005-2010, March and September 2011)



Note: the latest issues of *Arizona's Economy* do not provide projections beyond the year 2015.

What does all this mean to new school construction in Arizona? Consistent with the downturn in the housing market, the number of awards by the Board decreased in FY 2007 through FY 2010. In FY 2009 and FY 2010, the size of cancelled or downsized projects exceeded the new awards for those years. The trend reversed in FY 2011, resulting in a net award of 46,988 square feet (see attachment for FY 2011 activity). The award history is shown in Table 1.

Forecasting challenges

As delineated in Table 1, which shows awards for the last ten years, awards can fluctuate widely. Economic changes are the key driver, but there are several other reasons behind these fluctuations. First, the districts control when they seek new schools. Even if a district may qualify for a school, until they submit a capital plan the SFB cannot award one. Second, since the program is based on student projections, inaccuracies in a given year are corrected in subsequent years. If a school is awarded one year early, then that year's awards are artificially high and the next year's are low. If a school is awarded one year late, then the current year total awards are low, and the next year's awards are high.

Approved projects reflect an underlying student population growth that breaks down as follows in Table 2:

Fiscal Year	Annual Growth Rate
FY 2003	2.2%
FY 2004	1.9%
FY 2005	3.0%
FY 2006	3.0%
FY 2007	2.3%
FY 2008	1.3%
FY 2009	-0.4%
FY 2010	-0.8%
FY 2011	-1.7%

FY	Projects	Sq. Feet
2001	30	2,063,060
2002	37	1,927,102
2003	29	1,851,948
2004	38	2,907,172
2005	23	2,343,446
2006	40	3,131,028
2007	33	2,697,256
2008	14	700,469
2009	12	(121,147)
2010	33	(2,061,687)
2011	3	46,988

Statewide growth does not necessarily translate to a new construction need. Other factors including prior awards, existing district space, and which districts actually experience the growth all contribute to new construction awards. School Facilities Board staff projects that future ADM growth will be localized mainly in school districts in Maricopa, Pinal, and Pima counties.

Moratorium Impact

As noted above, part of the FY 2012 budget is a moratorium on new school construction starts and land acquisition. This moratorium was passed due to both fiscal necessity and a general belief that the slowing in population growth eliminated the need for new schools. While it is correct that most school districts do not need

1 Includes all award activity during fiscal year, including any revisions or cancellations to prior awarded projects and any additional awards for inflation, site conditions, or geographic conditions in final GMP plan review award.

2 The growth metric is based on attending ADM provided by the Department of Education. The numbers include District Schools and Accommodation schools only. Online Schools, charter Schools and JTED's are not included.

additional space at this time, there are several districts that continue to grow. These districts have and will exceed the State minimum standards for students per square foot.

Additionally, many of the areas experiencing a decline in population growth are directly related to lower occupancy rates. Varying school districts have newly completed residential developments that are only lightly occupied. Any positive change to vacancy patterns could lead to quickly expanding student populations. Continuing land acquisitions for future school sites will be critical to meeting the quickly expanding populations.

Operational Planning

In an effort to effectively manage the new school construction program, the School Facilities Board staff is involved in the following efforts.

Long-Term Planning – Upon conceptual approval of new school construction projects, the SFB is making an effort to find land to site future schools in locations that will best serve the emerging growth of the district. In addition, many school districts are working closely with developers to get donations for school sites. If a school district acquires real property by donation, the SFB is required to distribute an amount equal to 20% of the fair market value of the donated property to the school district, which may be used by the district for unrestricted capital outlay. All school sites, whether donated, leased, purchased or partially purchased must be approved by the Board. The SFB staff, in making recommendations to the Board, ensures that the site will be viable with respect to items such as size, environmental issues, utility routes, etc. The SFB is also encouraging districts to work closely with local governments and planning departments to ensure that school district needs for school sites are considered in the planning process prior to the issuance of permits to developers. Some districts have even been successful in getting the city to waive charges for permits and fees for school construction, which saves on the overall cost of the project. Additionally, the SFB is helping districts develop long-term projections that will help districts appropriately size and locate future facilities.

Energy Efficiency and Sustainability – The Board has been working with the architectural community to implement and identify methods in the design of new schools as well as the design of renovations that will incorporate numerous Executive Orders regarding energy efficiency. Currently the new school designs the Board is reviewing and approving will earn in excess of 40 LEED (Leadership in Energy and Environmental Design) points. The Board is working toward the 50 points that are required to meet the LEED Silver standard. The Board is also working with utilities to incorporate solar arrays into the design of new buildings, both helping the districts reduce energy costs and helping the utilities meet renewable energy standard requirements.

School Safety – The Board is continuing to review safety best practices to ensure as safe an environment at our school sites as possible. The Board has compiled best practice recommendations from state and federal law enforcement agencies, various state departments of education, school security experts, architects and planners to further our pursuit for safe schools.

21st Century Schools – The Board has been working with local architects to help author and distribute the “Arizona School Design Primer”, published in 2012, that will be available to school districts. The primer will help districts program and ask appropriate questions of their designers. The Board has also prepared a report that recommends how the State can build new schools as we move into the 21st century that includes the following:

1. enhance ability of teachers and students to integrate technology into teaching and learning;

2. create personalized instructional environments that best match teaching programs with individual student needs;
3. foster productive relationship-building between teachers and students;
4. ensure the safety of all students and school personnel; and
5. maximize energy and water efficiency.

Additionally, the report included recommendations on:

6. School size and its impact on learning
7. The impact of class size initiatives on school construction
8. The best way to pay for new schools

Goal	To efficiently analyze school district requests for new school facilities.
Strategies	<ol style="list-style-type: none"> 1. To review minimum adequacy guidelines with stakeholder input and develop policies that can be applied in a new school construction setting 2. To monitor construction inflation and request JLBC review as necessary to ensure cost per square foot keeps pace with market pricing 3. To monitor design process to ensure construction of a quality school that meets minimum adequacy guidelines while being a fiduciary of State funding in managing a cost versus formula driven program
Performance Measures	<ol style="list-style-type: none"> 1. Number of school district requests for new school facilities funding 2. Average number of months from receipt of school district application for new school facility fund monies to School Facilities Board final determination. 3. Number of new school construction projects completed 4. Amount of inflation

The building renewal program as currently constituted is based on a formula that provides approximately 67 percent of the building replacement value over a 50-year period. A.R.S. §15-2031 requires that building renewal be distributed twice a year in lump sum amounts to school districts, as long as districts submit their prior year expenditure report and three-year building renewal plan to the Board. While districts are required to submit a three-year building renewal plan and expenditure data, there is no State oversight on when dollars are actually expended or whether projects are even necessary. In many cases, districts save dollars year to year in anticipation of a future large expenditure.

Laws 2007, Chapter 266, section 2 amended the building renewal statute to include a priority system for the use of building renewal funds. A school district must use building renewal monies for primary projects unless only secondary projects exist. Primary projects are projects that are necessary to meet the State academic standards and that fall below minimum adequacy guidelines, whereas secondary projects are any projects not defined as primary projects. Further, school districts are required to use building renewal monies on secondary projects to comply with building, health, fire or safety codes. However, before spending building renewal monies on

secondary projects to comply with building, health, fire or safety codes, the School Facilities Board is required to approve the projects.

For FY 2009, the Legislature suspended the building renewal program and replaced it with a \$20 million building renewal grant program. These grants can only be used to correct systems that would no longer meet the State minimum facility guidelines. SFB staff awarded \$7 million in building renewal grant projects and the Legislature swept the remaining \$13 million to help balance the FY 2009 budget. In FY 2010, the Legislature continued the suspension of the building renewal program and appropriated \$3 million for building renewal grant funds. The Legislature then swept \$332,100 of this allocation. In 2011, the building renewal grant program was appropriated \$2,667,900. In 2012, this amount was unchanged.

Building Renewal Lawsuit

In 1999, several school districts sued the State (Roosevelt Case) asserting that the Students FIRST Act as implemented did not meet the requirements of the State Constitution because the State failed to fully fund the Building Renewal formula for fiscal years 1999, 2000, and 2002. On October 13, 2001, the Arizona Superior Court granted the State's Cross Motion for Summary Judgment and ruled that the appropriation of a specific sum by the State Legislature for fiscal year 1999 demonstrates that there was no expectation that the statutory formula for the building renewal fund was intended to be used for FY 1999.

However, on May 7, 2002, the Superior Court held that the State's failure to fully fund the Building Renewal formula for fiscal years 2000 and 2002 was a violation of the State Constitution's requirement that the State provide a general and uniform public school system.

On June 18, 2002, six school districts filed a new lawsuit (Somerton Case) asserting that the State had failed to fully fund the building renewal formula for fiscal year 2002. On October 17, 2002 and December 13, 2002, the Superior Court held that the State had violated the State Constitution by failing to fully fund the building renewal formula for fiscal year 2002. The Court also ordered the State to "remedy the constitutional deficiencies" in the level of building renewal formula funding by June 30, 2004. The Somerton case was consolidated with the Roosevelt case, also being appealed by the State. Subsequently, the Court of Appeals on August 14, 2004, reversed the trial court's judgments and remanded both cases to the trial court for the school districts to demonstrate that the lack of building renewal funding resulted in current unmet needs related to academic achievement. On January 6, 2004, the Arizona Supreme Court denied review of the Court of Appeals order remanding the consolidated cases.

On October 3, 2006, the Superior Court granted the Defendant State of Arizona's Motion for Summary Judgment. At issue in the motion is whether plaintiffs' claim was ripe and whether plaintiffs must prove that the Students FIRST system is unconstitutional as applied to every public school district or only as applied to them and whether the Students FIRST system has caused any facility needs related to academic performance to be unmet. The Court found that until each plaintiff district attempted to obtain all available funds from the State their claim is premature and not yet ripe.

On November 21, 2008, the Superior Court agreed to allow the Tempe Union High School District to join the lawsuit. On February 22, 2010, the Superior Court held that Tempe Union High School District failed to establish a justiciable controversy because it had failed to show that all available sources of funding through the State had been exhausted. The matter was dismissed but continued on the inactive calendar. On January 18, 2011, the Superior Court dismissed the case without prejudice after finding that a justiciable controversy still did not exist.

Building Renewal Funding History

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
FY 1999	\$103,747,800	\$75,000,000	\$28,747,800	Laws 1998, Fifth Special Session, Ch. 1 (SB 1001 - Students FIRST), section 64 appropriated \$75 million from the General Fund to the Building Renewal Fund for FY 1999. The amount appropriated represented the best guess at the time since only limited building inventory information was available. The formula amount was originally estimated by SFB to be \$75 million but was later updated to \$103,747,800 after the collection of school district building data. Since the lesser amount of \$75 million was credited to the Building Renewal Fund by the Treasurer, the Board distributed 72% of the formula amount to each district.
FY 2000	\$108,389,300	\$82,500,000	\$25,889,300	The formula amount was originally estimated by SFB to be \$82.5 million (a 10% increase over FY 1999 based on limited information) but was later updated to \$108,389,300 after the collection of school district building data. Since the lesser amount of \$82,500,000 was credited to the Building Renewal Fund by the Treasurer, the Board distributed 76% of the formula amount to each district.
FY 2001	\$122,725,300	\$122,725,300	\$0	In FY 2001, the SFB pursuant to A.R.S. 42-5030.01 instructed the Treasurer to transfer \$120 million to the Building Renewal Fund. Subsequently, the Board recalculated the cost at \$122,725,300. In a court decision addressing the legality of prior year shortfalls between the SFB transfer instructions and calculated formula cost, a Maricopa County district court ruled in October 2000 that funding for building renewal each year should be determined by formula cost. In January 2001, the Attorney General issued a formal opinion that the court ruling does not require or permit the SFB to present a revised instruction to the Treasurer to make up the \$2,725,300 shortfall. The SFB therefore requested and the Legislature granted through Laws 2001, Chapter 232 a supplemental appropriation of \$2,725,300.
FY 2002	\$122,786,413	\$62,065,300	\$69,934,700	Pursuant to A.R.S. 42-5030.01, funding is provided through a direct transfer of TPT revenues from the Treasurer in the amount of \$132,000,000. Laws 2002, 3rd SS, Ch. 2, section 22 (HB 2003) transferred \$69,934,700 from the Building Renewal Fund to the General Fund leaving a net appropriation of \$62,065,300.

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
FY 2003	\$128,274,062	\$38,274,100	\$89,999,962	Laws 2002, Chapter 330 (HB 2710), section 45 notwithstanding section A.R.S. 15-2002, subsection A, paragraph 10 required that the State Treasurer disregard any instructions of the School Facilities Board relating to the Building Renewal Fund transfers for fiscal year 2002-2003 and instead shall transfer only the sum of \$38,274,100 in fiscal year 2002-2003 from transaction privilege tax revenues to the Building Renewal Fund. Legislature noted in section 61 of same bill that it was their intent that the Deficiencies Corrections program would provide the necessary funds for building renewal needs.
FY 2004	\$128,804,873	\$0	\$128,804,873	Laws 2002, Ch. 330, section 61 (HB 2710) suspended the building renewal formula for FY 2004. Legislature noted it was their intent that the Deficiencies Corrections program would provide the necessary funds for building renewal needs. The formula amount was \$128,804,873 for this year.
FY 2005	\$134,894,500	\$70,000,000	\$64,894,500	Pursuant to A.R.S. 42-5030.01, funding is provided through a direct transfer of TPT revenues from the Treasurer in the amount of \$134,894,500. However, this was offset by Laws 2004, Ch. 274, section 7 (SB 1406) which transferred \$104,894,500 from the Building Renewal Fund to the General Fund for a net appropriation of \$30,000,00. Additionally, Laws 2004, Ch. 275, section 67 (SB 1402) provided an additional \$40,000,000 through conditional appropriations that were triggered due to excess State revenues for a total appropriation of \$70,000,000. <u>Revised Formula:</u> The alternate formula which was passed and vetoed in Laws 2004, Ch. 274, section 1 (SB 1406) would have produced 71 million. Legislative staffed noted that the appropriation was targeted to this level.
FY 2006 1/	\$130,080,500	\$70,000,000	\$60,080,500	Pursuant to Laws 2001, Ch. 117, section 32 (A.R.S. §42-5030.01) a transfer in the amount of \$130,080,500 was made from the General Fund to the Building Renewal Fund. Pursuant to Laws 2005, Chapter 287, section 9 a \$60,080,500 transfer was made from the Building Renewal Fund to the General Fund, leaving the net appropriation of \$70,000,000. <u>Historical Note:</u> Prior to Laws 2005, Ch. 287, section 5, which amended Laws 2001, Ch. 117, sec. 32, the State Treasurer was required to transfer to the Building Renewal Fund, without the need for a specific legislative appropriation, State general fund revenues in an amount instructed by the School Facilities Board. This authority was repealed by Laws 2005, Ch. 287, section 5. <u>Revised Formula:</u> The alternate formula would have produced approximately \$69 million.

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
FY 2007	\$161,465,349	\$86,283,500	\$75,181,849	Laws 2006, Chapter 353, Section 28, (HB 2874) K-12 budget reconciliation bill appropriated \$86,283,500 from the General Fund to the Building Renewal Fund. The appropriation was originally contained in HB 2875, SFB budget reconciliation bill, which altered the formula but was vetoed by Governor Napolitano. The amount was based on the alternate formula.
FY 2008	\$190,219,962	\$43,141,750	\$147,078,212	Laws 2007, Chapter 255, Section 90, (HB 2781) General Appropriations Act appropriated \$86,283,500 from the General Fund to the Building Renewal Fund. Laws 2007, Chapter 53, Section 18 reduced the original building renewal appropriation by 50%.
FY 2009	\$216,511,501	\$0	\$216,511,501	The program was suspended.
FY 2010	\$227,913,526	\$0	\$227,913,526	The program was suspended.
FY 2011 ^{2/}	\$226,779,260	\$0	\$226,779,260	The program was suspended.
FY2012	\$241,593,554	\$0	\$241,593,554	The program was suspended.
Summary 1999-2012	\$2,244,185,900	\$649,989,950	\$1,603,409,537	From FY 1999 through FY 2012, Building Renewal has been funded at 28.9% of the formula amount

^{1/} The decrease in the formula amount in FY 2006 from FY 2005 is due to the incorporation of Deficiencies Corrections projects into the formula as renovations.

^{2/} The FY 2010 formula did not include the renovation data reported by districts. The FY 2011 formula amount includes two years of renovation data reported by districts. This accounts for the decrease in formula for FY 2010 to FY 2011.

Goal	To ensure that building renewal funds are used appropriately.
Strategies	<ol style="list-style-type: none"> 1. Review prior year expenditures and three-year building renewal plans to ensure that funds have been spent or are being planned for projects that conform with statutory uses 2. Enhance web-based building renewal system to link projects to statutory uses in an effort to collect better information to aid in plan evaluation 3. Enhance web-based building renewal system to link expenditure reports to three-year building renewal plan to identify how closely actual expenditures relate to planned projects 4. Accurately maintain school facilities inventory database 5. Assist districts in their three-year building renewal plan development as requested and needed by district 6. Distribute building renewal funding as required by law.

Performance Measures	<ol style="list-style-type: none"> 1. Percent of school districts that used building renewal funding for non-statutory purposes 2. Number of districts instructed by the School Facilities Board to use building renewal funding for preventative maintenance
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Emergency Deficiencies Corrections Issue 3

Laws 2005, Chapter 287, Section 7 repealed the Deficiencies Corrections program as of June 30, 2006. However, the SFB continues to provide emergency deficiency services through the Emergency Deficiencies Corrections program. The main issue facing this program's long-term viability is lack of a dedicated funding source. A.R.S. §15-2022 provides that revenues consist of monies transferred from the Deficiencies Corrections Fund, which no longer exists, or the New School Facilities Fund as long as the transfer will not affect, interfere with, disrupt or reduce any approved capital projects. With inflationary pressures impacting the New School Facilities Fund coupled with the ongoing program growth as well as the recent shortfall, the New School Facilities Fund is not a viable funding source once existing cash balances in the Emergency Deficiencies Corrections Fund are depleted, which will likely occur in FY 2012.

Goal	To efficiently analyze school district requests for emergency deficiencies corrections.
Strategies	<ol style="list-style-type: none"> 1. To secure funding as necessary to ensure adequate fiscal resources for emergency projects 2. To provide feedback to districts in a timely manner regarding staff recommendations 3. To clarify why projects may or may not have been included in the district's adopted budget, to ensure that projects are not attributable to lack of district planning for items that have a useful life for which the district should have planned, to ensure that projects in smaller districts are considered if building renewal dollars are insufficient to plan for problem
Performance Measures	1. Number of requests for emergency deficiencies corrections funding

Preventative Maintenance Issue 4

In order to more efficiently meet the State's responsibility to maintain the approximately 121.5 million square feet of academic space, the Legislature directed the School Facilities Board to help school districts establish preventative maintenance (PM) programs and then perform inspections to review the implementation of those programs. The School Facilities Board has adopted a general set of preventative maintenance guidelines and districts are required to perform the guideline tasks for the various building systems. In addition, the SFB is required to inspect for preventative maintenance 20 districts every 30 months.

Currently, the law does not provide a dedicated funding source for preventative maintenance. However, A.R.S. §15-2031 subsection J allows school districts to use eight percent of the building renewal amount generated by the statutory formula for routine preventative maintenance, which are services that are performed on a regular schedule at intervals ranging from quarterly, semi-annually and annually that are intended to extend the useful life of a building system and reduce the need for major repairs. With the suspension of building renewal funding, virtually no State dollars are available to school districts for preventative maintenance. To counter balance the lack of funding, the SFB has expanded the preventative maintenance training and inspections. Further, the SFB has developed and provides PM materials to school districts for self-training exercises.

Goal	To inspect school districts to ensure compliance with preventative maintenance requirements.
Strategies	<ol style="list-style-type: none"> 1. To assist school districts in implementation of a preventative maintenance program. 2. Assist school districts in the preparation and submittal of required preventative maintenance plans. 3. Review annual preventative maintenance school district reports. 4. Inspect schools on an regular basis to ensure that 20 districts are inspected over a 30 month time frame. 5. Work with districts and the Legislature to ensure that the resources necessary to properly maintain the State's schools are made available and properly used.
Performance Measures	<ol style="list-style-type: none"> 1. Percent of all school districts inspected to ensure compliance with required preventative maintenance guidelines. 2. Increase the number of tasks completed on preventative maintenance reporting statements. 3. Percent of inspected schools determined to have an adequate preventative maintenance program

**SFB-Approved New Construction Projects
FY 2011 Capital Plan Cycle**

Approval Date	District	Project Number	Project	Grades	Student Capacity	Square Footage	Open FY	NC Funding
1/12/11	Vail Unified	100220000-9999-012N	School	K-5	597	47,790	13	\$6,530,981 (1)
Subtotal:					597	47,790		\$6,530,981
4/6/11	Stanfield Elementary	140424000-9999-001N	Cancel	K-8	(124)	(10,072)	NA	(\$1,050,750) (2)
4/6/11	Thatcher Unified	050204000-9999-001N	School	K-6	116	9,270	12	\$1,330,152 (3)
Subtotal:					(8)	(802)		\$279,402
Total Activity FY 11 (including cancellations):					589	46,988		\$6,810,383

(1) Funding cannot be awarded until sufficient funds are available in the New School Facilities Fund.

(2) Originally approved 6/3/04, with a budget of \$6,692,440. Cancelled 3/6/08 and re-approved (at a smaller size) 3/5/09 with a new budget of \$1,385,372. Design monies in the amount of \$334,622 had already been disbursed at the time of this project's original approval, and were deducted from the award when this project was re-approved. \$1,050,750 is the project balance.

(3) Funding cannot be awarded until sufficient funds are available in the New School Facilities Fund. Funding amount includes 5% adjustment for rural factor.