SCHOOL FACILITIES BOARD

ANNUAL REPORT
FISCAL YEAR 2003-2004

December 15, 2004

School Facilities Board
1700 West Washington, Suite 230
Phoenix, Arizona 85007
602.542.6501

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Introduction

School Facilities Board
ANNUAL REPORT REQUIREMENTS

The annual report requirements are prescribed in statute in ARS §15-2002.

ARS §15-2002

A. The school facilities board shall:

…

9. Submit an annual report by December 15 to the speaker of the house of representatives, the president of the senate, the superintendent of public instruction, the director of the Arizona state library, archives and public records and the governor that includes the following information:

(a) A detailed description of the amount of monies distributed by the school facilities board in the previous fiscal year.

(b) A list of each capital project that received monies from the school facilities board during the previous fiscal year, a brief description of each project that was funded and a summary of the board's reasons for the distribution of monies for the project.

(c) A summary of the findings and conclusions of the building maintenance inspections conducted pursuant to this article during the previous fiscal year.

(d) A summary of the findings of common design elements and characteristics of the highest performing schools and the lowest performing schools based on academic productivity including the results of the parent quality rating survey.

For the purposes of this paragraph, "academic productivity" means academic year advancement per calendar year as measured with student-level data using the statewide nationally standardized norm-referenced achievement test.

The School Facilities Board did not conduct building maintenance inspections during FY 2003-2004 and thus a summary of the findings and conclusions are not included in this annual report. As the statute indicates, the inspections will be undertaken on a five-year cycle following the statewide assessment of all school facilities.

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

Board Members FY 2003-2004

- Logan Van Sittert, Chair
- John Wright, Vice Chair
- Patrice Conley (September 1998 – Current)
- Keith Vaughan (September 1998 – Current)
- Michael Wicks (September 1998 – February 2004)
- Brooks Keenan (March 1999 – Current)
- Kate McGee (July 2001 – Current)
- Peter Granillo (July 2003 – Current)
- Frank Davidson (March 2004 – Current)
- Carl Triphahn (May 2004 – Current)
- Tom Horne, Superintendent of Public Instruction (advisory, designated representative is Vicki Salazar)

Executive Director FY 2003-2004

- William Bell, Executive Director (July 2003 – Current)

The School Facilities Board administers four funds: the Deficiencies Correction Fund, the Building Renewal Fund, the New School Facilities Fund, and the Emergency Deficiency Fund. The following sections of the Annual Report provide an overview by fund of the monies distributed by the School Facilities Board in FY 2003-2004. Part One deals with the Deficiencies Correction Fund, Part Two with the Building Renewal Fund, Part Three with the New School Facilities Fund, and Part Four with the Emergency Deficiency Fund. Part Five deals with the analysis of the Highest Performing Schools. A detailed description of the amount of monies approved and distributed by the School Facilities Board by fund in FY 2003-2004 is contained in Appendices A, B, C and D. The Appendices contain the district level summaries; the actual project detail by district is available upon request.

Part One
DEFICIENCES CORRECTION FUND

The Deficiencies Correction Fund is established in ARS §15-2021. Monies in the Deficiencies Correction Fund are administered by the School Facilities Board and are distributed to school districts for the purpose of correcting existing deficiencies. Deficiencies may take the form of a square footage deficiency or a quality deficiency. Monies in the fund are continuously appropriated and are exempt from lapsing.

For FY 2003-2004, the State Treasurer transferred $0 from the state general fund to the Deficiencies Correction Fund.

The monies from the Deficiencies Correction Fund are expended to correct existing deficiencies. The School Facilities Board was charged with adopting rules establishing minimum school facility adequacy guidelines, assessing school buildings against these guidelines and providing monies to bring the buildings up to the guidelines. In September 1999, the School Facilities Board adopted the Building Adequacy Guidelines which serve as the minimum standards for existing school buildings in Arizona.

During FY 2003-2004, the School Facilities Board dispersed $349.3 million in Assessment Deficiency funds for district projects (See Appendix A). The Board also expended $48.4 on non-district specific items and transferred $25.5 million from the Deficiency Correction fund to the New School Facilities Fund.

All of deficiency projects have been through an extensive bid process to ensure that the SFB receives the best price. Statute required all districts except Glendale Union, Mesa Unified, and Tucson Unified to complete their projects by June 30, 2004. The SFB met this goal for 5,193 projects out of the 5,241 approved. The remaining projects will reach completion in FY 2005. The Assessment was a one-time process, and districts will not receive Assessment Deficiency funds once this process in complete. In order to help districts maintain their buildings and avoid the extent of dilapidation that has been seen during the Assessment process, the SFB established Preventive Maintenance guidelines in June 2003. During the course of FY 2004, the SFB reviewed and approved preventive maintenance plans from 195 districts. This represents 93 percent of all districts with facilities. Staff continues to work with the remaining districts to establish preventive maintenance plans. The SFB will also “Inspect school buildings at least once every five years to ensure compliance with the building adequacy standards” as statutorily required in ARS §15-2002.

Part Two
BUILDING RENEWAL FUND

The Building Renewal Fund is established in ARS §15-2031. Monies in the Building Renewal Fund are administered by the School Facilities Board and are distributed to school districts for the purpose of maintaining the adequacy of existing school facilities. Monies in the fund are continuously appropriated and are exempt from lapsing.

The statute further provides that a school district that receives monies from the Building Renewal Fund shall use the monies primarily for any buildings that are owned by the school district that are required to meet academic standards and secondly for any other buildings owned by the school district for any of the following:

1. Major renovations and repairs of a building.
2. Upgrading systems and areas that will maintain or extend the useful life of the building.
3. Infrastructure costs.
4. Relocation and placement of portable and modular buildings.

Additionally the statute provides that a school district that receives monies from the Building Renewal Fund shall not use the monies for any of the following purposes:

1. New construction.
2. Remodeling interior space for aesthetic or preferential reasons.
3. Exterior beautification.
4. Demolition.
5. The purchase of soft capital items pursuant to section 15-962, subsection D.
6. Routine maintenance.

The statute provides a formula to be used to determine the amount of building renewal funds for each school building. The main components used in the formula are the square footage, age, renovations, and student capacity of the building. For FY 2003-2004, the formula was suspended and the Legislature provided zero dollars ($0) for dispersal.

The legislation that established the Building Renewal Fund requires that the School Facilities Board distribute the monies in two equal payments (in November and May). During FY 2003-2004, the School Facilities Board distributed zero dollars ($0).

Appendix B presents the amount allocated to each school district in FY 2003-2004 and the amount reported by the school district as an expenditure in FY 2003-2004. Out of 230 districts, forty-six (46) did not submit a report of building renewal expenditures for FY 2003-2004 by the time this report was prepared.

Part Three
NEW SCHOOL FACILITIES FUND

The New School Facilities Fund is established in ARS §15-2041. Monies in the New School Facilities Fund are administered by the School Facilities Board and are distributed to school districts for the purpose of constructing new school facilities.

For FY 2003-2004, the State Treasurer transferred $0 from the state General Fund. In place of the transfer, the Legislature authorized the School Facilities Board to enter into lease-to-own transaction valuing $250 million. The Board completed these transactions on September 4, 2003 and March 18, 2004.

During FY 2003-2004 the Board transferred to or on behalf of school districts approximately $271.8 million. This is a combination of LTO proceeds and New School Facilities dollars. School districts reported expenditures of approximately $237.9 million. Appendix C presents the amount allocated to each school district in FY 2003-2004 and the amount reported by the school district as an expenditure in FY 2003-2004.

In FY 2003-2004, the School Facilities Board approved $319.6 million in projects from the New School Facilities Fund. As of December 15, 2004, the School Facilities Board approvals include 152 elementary school projects, 33 middle school projects, 34 high school projects, 19 replacement schools or buildings, and 2 other projects for a total of $1.7 billion.

Part Four
EMERGENCY DEFICIENCY FUND

ARS §15-2022 establishes an emergency deficiencies correction fund (with monies transferred from either the deficiencies correction fund [ARS §15-2021] or the new school facilities fund [ARS §15-2041]). The statute indicates that the SFB shall administer the fund and distribute monies in accordance with the rules of the school facilities board to school districts for emergency purposes. The statute further states that the SFB shall not transfer monies from either fund if the transfer will affect, interfere with, disrupt, or reduce any capital projects that the School Facilities Board approved pursuant to ARS §15-2021 and ARS §15-2041.

In FY 2003-2004, the School Facilities Board approved five projects valued at $434,279. Appendix D shows the dollars actually distributed in FY 2004.

Part Five
HIGHEST PERFORMING SCHOOLS

During FY 2003-04, due to budget concerns, the SFB chose to complete this study in house. See Appendix E.