Five-Year
Strategic Plan

SCHOOL FACILITIES BOARD

FY 2012 — FY 2016

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 2010 new school construction awards and the projected awards for FY 2011 and FY 2012. 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.

Finally, there has been a significant increase in development fees and impact fees charged by cities and counties. More districts, typically low property wealth districts, are asking the SFB to fund on-site adjacent ways costs. Until recently, the majority of districts funded eligible adjacent ways expenditures, both on and off the school site, from the local adjacent ways budget. As growth has entered smaller, low property wealth districts, some districts are asking that the SFB fund some on-site ingress and egress items.

Building Renewal — Issue 2

The building renewal program has a complicated history that began in 1999 when 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. One school district continues to pursue this litigation.

For FY 2011, 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.

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 happen in FY 2011.

Preventative Maintenance — Issue 4

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 four times a year to once every three years and 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, 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 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 remains in effect for FY 2011, the Legislature provided $100 million in lease-to-own authority for the construction of new schools in FY 2010. Land acquisition

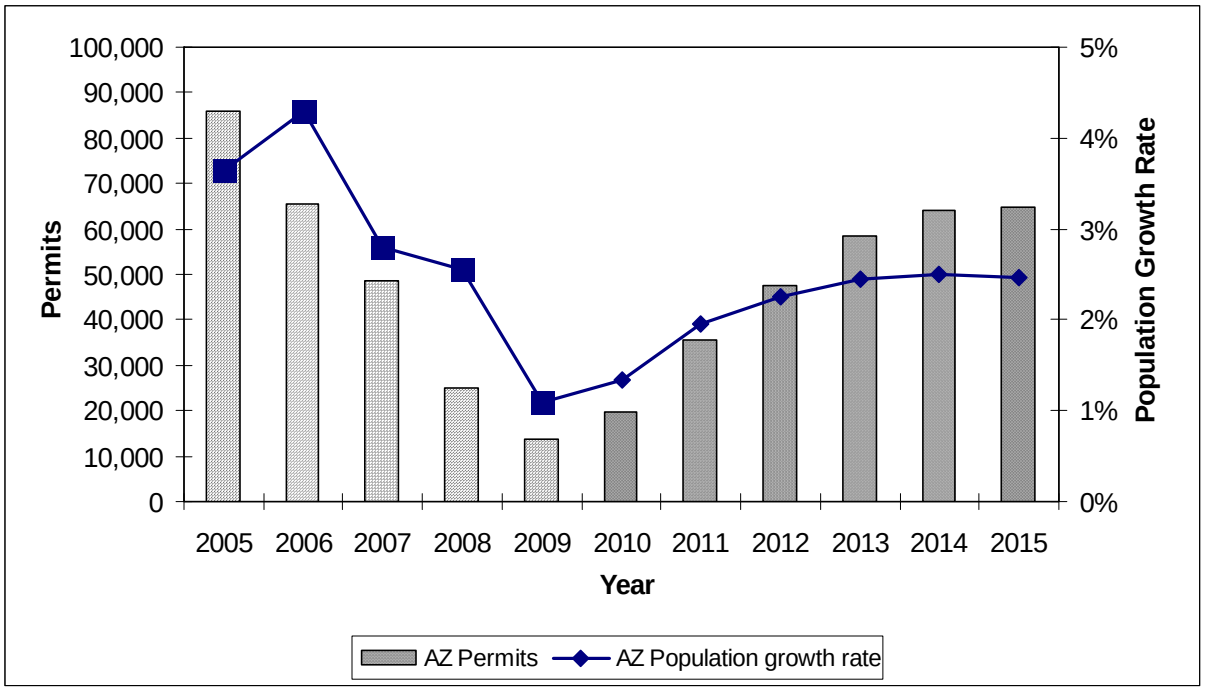
and new school construction funded from this authority are exempt from the moratorium. The authority must be issued through a new federal bonding program called Qualified School Construction Bonds. Under this program, the bond holder receives federal tax credits in lieu of interest.

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 Years 2005 through 2009, actual numbers are used; for 2010 and later years, the numbers are projected by the University of Arizona in the October 2009 and January 2010 issues of *Arizona's Economy*. The decline in residential construction that started in the fall of 2005 continued through 2009. The trend is projected to reverse in 2010. The population growth rate dropped to barely over 1% in 2009 and is projected to gradually rebound to over 2% in the next few years.

Chart 1:
Actual and projected new residential permits in Arizona
(Source: *Arizona's Economy, January 2009, October 2009, and January 2010*)



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 has decreased over the last few years. In FY 2010, the Board cancelled or downsized previously-awarded projects in the amount of 2,202,921 square feet, which exceeded the new awards for that year which totaled 141,234 square feet (see attachment for FY 2010 activity). The net result was a reduction of 2,061,687 square feet. As shown in Table 1, this level of awards is the lowest amount in the history of the program.

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.

Table 1 –
SFB New Construction Awards[1]

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)

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

Table 2
Annual ADM Growth Rate
FY 2002-FY 2010[2]

Fiscal Year	Annual Growth Rate
FY 2003	2.20%
FY 2004	1.86%
FY 2005	3.02%
FY 2006	3.04%
FY 2007	2.30%
FY 2008	1.29%
FY 2009	-0.43%
FY 2010	-1.03%

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 2011 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

[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. Charter Schools and JTED's are not included.

eliminated the need for new schools. While it is correct that most school districts do not need 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, 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 – Under Governor Napolitano's leadership, Executive Order 2005-05 requires that all new State funded buildings be designed and constructed to derive at least 10% of their energy from a renewable resource. Further, all State funded buildings shall include energy efficiency standards pursuant to law and buildings newly constructed are required to meet the "Silver" Leadership in Energy and Environmental Design (LEED) standard. Executive Order 2004-28 also requires that all Executive branch agencies take steps necessary to reduce annual water consumption by 5% using FY 2004 levels as a baseline. Executive Order 2001-3 under Governor Hull required that all public schools be designed and constructed in a manner to reduce energy consumption and create energy efficient facilities without adversely affecting the quality of school design and construction by providing necessary funds to schools in accordance with School Facilities Board policies and guidelines. The Board held study sessions on the issue of Energy to discuss goals of reducing energy consumption by 15 percent and water consumption by 20 percent. The first step toward the goal is to develop an approved list of energy efficiency upgrades that conform to Arizona Administrative Code R7-6-260 regarding the eight-year pay back. The SFB staff has been working with the architectural community to identify items that might qualify and the methodology to track. In addition to the eight-year pay back list, SFB staff has reviewed federal and private incentive programs, requires that new project architects certify that projects meet current State laws regarding energy efficiency, has met with private firms that promote energy upgrades to explore private/public partnerships, and has installed waterless urinals in the men's restroom near the SFB Offices as a demonstration of their usefulness and effectiveness.

School Safety – In late 2006, the Governor's Office asked the Arizona School Facilities Board (SFB) to evaluate school security issues and to make recommendations for security measures that might be incorporated into new school construction. SFB staff performed an extensive literature review of nationally recommended best practices for enhancing school security and received public comments during a SFB Board meeting held on December 7, 2006. Staff compiled best practice recommendations from those public comments and from literature sources including federal and State law enforcement agencies, various State departments of education, recognized school security experts, architects and planners engaged in school design. At the June 7, 2007 Board Meeting, staff presented the draft school safety recommendations. The recommendations were then posted on the SFB website for comment. The final recommendations were presented and approved by the School Facilities Board at the August 2, 2007 Board meeting.

21st Century Schools – In Executive Order 2007-06, Governor Napolitano directed the School Facilities Board (SFB) to prepare a report that would recommend how the State can build 21st century schools to best serve Arizona's students. The final report issued in September 2007 included recommendations on how to best do 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	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	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, to be disbursed to the SFB in equal quarterly payments of $750,000 each. The Legislature then swept $332,100 of this allocation. In 2011, the building renewal grant program was awarded $2,667,900 to be disbursed in quarterly payments of $666,975.

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, certain 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 ongoing lawsuit.

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.

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
FY 2001	$122,725,300	$122,725,300	$0	In FY 2001, the SFB pursuant to A.R.S. 42-5030.01instructed 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.
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.

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
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. Revised Formula: 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. Historical Note: 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. Revised Formula: The alternate formula would have produced approximately $69 million.
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.

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
Summary 1999-2011	$2,002,612,346	$647,534,000	$1,355,078,346	From FY 1999 through FY 2011, Building Renewal has been funded at 32.3% 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	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	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

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 2011.

Goal	To efficiently analyze school district requests for emergency deficiencies corrections.
Strategies	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 four times a year to once every three years and 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 building adequacy standards with respect to construction of new buildings and maintenance of existing buildings.
Strategies	1. Assist school districts in the preparation and submittal of required preventative maintenance plans. 2. Review annual preventative maintenance school district reports. 3. Inspect schools on an annual basis to ensure that all schools are

	inspected over a five-year time frame. 4. 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	1. Percent of all school districts inspected to ensure minimum adequacy guidelines 2. Average number of issues per school inspected that do not meet minimum adequacy standards 3. Percent of inspected schools determined to have an adequate preventative maintenance program

SFB-Approved New Construction Projects
FY 2010 Capital Plan Cycle

Approval Date	District	Project Number	Project	Grades	Student Capacity	Square Footage	Open FY	NC Funding	
11/4/09	Sahuarita Unified	100230000-9999-TBD	Additional space	9-12	250	31,250	11	$5,220,313	(1)
11/4/09	Vail Unified	100220000-9999-015N	School	9-12	948	89,125	12	$14,888,331	(1)
	Subtotal:				**1,198**	**120,375**		**$20,108,644**	
1/20/10	Casa Grande	110404000-9999-007N	School	K-5	(844)	(67,500)	NA	($9,184,959)	(2)
1/20/10	Chandler Unified	070280000-9999-023N	School	K-6	(1,078)	(86,220)	NA	($11,761,837)	(2)
1/20/10	Prescott Unified	130201000-9999-002N	Additional space	K-5	(165)	(13,230)	NA	($1,808,012)	(2)
1/20/10	Vail Unified	100220000-9999-012N	School	K-5	(675)	(54,000)	NA	($7,354,120)	(2)
	Subtotal:				**(2,762)**	**(220,950)**		**($30,108,928)**	
3/3/10	Avondale Elementary	070444000-9999-001N	School	K-8	(982)	(78,540)	NA	($10,434,039)	(2)
3/3/10	Marana Unified	100206000-9999-003N	School	K-6	(731)	(58,500)	NA	($6,722,703)	(2)
3/3/10	Marana Unified	100206000-9999-006N	School	7-8	(1,250)	(100,000)	NA	($13,579,316)	(2)
3/3/10	Marana Unified	100206000-9999-007N	School	9-12	(2,660)	(250,000)	NA	($40,070,000)	(2)
3/3/10	Maricopa Unified	110220000-9999-026N	School	6-8	(1,088)	(87,003)	NA	($12,091,677)	(2)
3/3/10	Maricopa Unified	110220000-9999-028N	School	9-12	(2,394)	(225,000)	NA	($36,857,250)	(2)
3/3/10	Queen Creek Unified	070295000-9999-005N	School	K-5	(788)	(63,000)	NA	($8,576,428)	(2)
3/3/10	Saddle Mountain	070390000-9999-005N	School	K-8	(1,028)	(83,160)	NA	($9,236,652)	(2)
3/3/10	Saddle Mountain	070390000-9999-002N	School	9-12	(1,196)	(134,000)	NA	($18,037,753)	(2)
3/3/10	Somerton Elementary	140411000-9999-003N	Buildout	K-5	(158)	(12,600)	NA	($1,692,342)	(2)
	Subtotal:				**(12,275)**	**(1,091,803)**		**($157,298,160)**	
4/7/10	Cave Creek Unified	070293000-9999-006N	School	9-12	(506)	(47,570)	12	($6,795,374)	(3)
4/7/10	Humboldt Unified	130222000-9999-005N	School	6-8	(872)	(69,796)	NA	($7,933,314)	(2)
4/7/10	Laveen Unified	070459000-9999-009N	School	K-8	(1,155)	(92,400)	NA	($12,545,148)	(2)
4/7/10	Nadaburg Unified	070381000-9999-003N	School	K-8	(685)	(55,440)	NA	($6,235,891)	(2)
4/7/10	Palo Verde Unified	070449000-9999-002N	School	K-8	(914)	(73,920)	NA	($8,314,522)	(2)
4/7/10	Payson Unified	040210000-9999-002N	Additional space	6-8	(113)	(9,377)	NA	($1,275,178)	(2)
4/7/10	Sunnyside Unified	100212000-9999-003N	School	K-5	(844)	(67,500)	NA	($8,731,277)	(2)
4/7/10	Sunnyside Unified	100212000-9999-004N	School	9-12	(522)	(49,125)	12	($8,047,166)	(3)
4/7/10	Tanque Verde Unified	100213000-9999-TBD	Additional space	7-12	170	20,859	12	$3,326,176	(1)
4/7/10	Union Elementary	070462000-9999-007N	School	K-8	(914)	(73,920)	NA	($9,820,272)	(2)
	Subtotal:				**(6,355)**	**(518,189)**		**($66,371,966)**	
5/12/10	Buckeye Elementary	070433000-9999-011N	School	K-8	(924)	(73,920)	NA	($9,329,258)	(3)
5/12/10	Buckeye Union	070501000-9999-004N	School	9-12	(1,710)	(160,750)	NA	($24,476,760)	(3)
5/12/10	Palominas Elementary	020349000-9999-001N	Additional space	K-8	(286)	(23,100)	NA	($2,384,324)	(3)
5/12/10	Thatcher Unified	050204000-9999-001N	Additional space	K-6	(116)	(9,270)	NA	($1,304,382)	(3)
5/12/10	Toltec Elementary	110422000-9999-001N	School	K-8	(857)	(69,300)	NA	($9,408,861)	(3)
	Subtotal:				**(3,893)**	**(336,340)**		**($46,903,585)**	
6/23/10	Tonto Basin	040333000-9999-001N	School	K-8	(11)	(900)	NA	($119,565)	(3)
6/23/10	Yuma Elementary	140401000-9999-004N	Additional space	6-8	(174)	(13,880)	NA	($1,598,143)	(3)
	Subtotal:				**(185)**	**(14,780)**		**($1,717,708)**	
	Total Activity FY 10 (including cancellations):				**(24,272)**	**(2,061,687)**		**($282,291,703)**	
	Total New Awards FY 10:				**1,368**	**141,234**		**$23,434,820**	

(1) Funding cannot be awarded until sufficient funds are available in the New School Facilities Fund.
(2) Cancelled due to updated ADM projections.
(3) Downsized due to updated ADM projections.