



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

HB 2555: SFB; department of administration
Sponsor: Representative Udall, LD 25
Committee on Education

Overview

Transfers the authority, powers, duties and responsibilities of the School Facilities Board (SFB) to the School Facilities Oversight Board (Oversight Board) established within the Division of School Facilities (Division) established within the Arizona Department of Administration (ADOA). Appropriates monies to the Building Renewal Grant (BRG) Fund.

History

SFB is responsible for providing capital funding to school districts through three primary funds: the BRG Fund, the Emergency Deficiencies Correction Fund (EDC) and the New School Facilities (NSF) Fund. Its powers and duties include:

- 1) Maintaining a database of school facilities to administer the BRG Fund and the new school facilities formula;
- 2) Inspecting school buildings at least once every five years to ensure compliance with the building adequacy standards;
- 3) Reviewing and approving student population projections submitted by school districts;
- 4) Certifying that plans for new school facilities meet building adequacy standards;
- 5) Developing prototypical elementary and high school designs;
- 6) Developing application and reporting forms and procedures, including establishing a project eligibility assessment for all projects submitted for BRG or EDC funding;
- 7) Submitting multiple reports regarding its activities and disbursements;
- 8) Adopting minimum school facility adequacy guidelines; and
- 9) Validating proposed adjacent ways projects ([A.R.S. § 15-2002](#)).

Currently, SFB is comprised of ten members, nine of whom are appointed by the Governor and confirmed by the Senate and one of whom is the Superintendent of Public Instruction (SPI), or their designee. The SPI, or their designee, serves as an advisory nonvoting member. The Governor selects a chairperson from the appointed members. In addition, the executive director is appointed by the Governor. The executive director must have demonstrated competency in school finance, facilities design or facilities management (A.R.S. §§ [15-2001](#), [15-2002](#)).

Provisions

Oversight Board

1. Establishes the Oversight Board within the Division. (Sec. 27)
2. Terminates the Oversight Board on July 1, 2022. (Sec. 23)
3. Outlines the membership of the Oversight Board as follows:
 - a) The following members who are appointed by the Governor and confirmed by the Senate:
 - i. One member who represents a statewide organization of taxpayers;
 - ii. One member who is a registered professional architect;

- iii. One member with knowledge of and experience in school facilities management in a public school system;
 - iv. One member who is a registered professional engineer;
 - v. Two members who are owners or officers of a private construction company, who have knowledge of and experience in construction of large commercial or government buildings and whose businesses do not include school construction; and
 - vi. One person who represents the business community.
- b) The following members who serve as an advisory nonvoting member:
- i. The SPI or their designee; and
 - ii. The director of ADOA who also serves as chairperson. (Sec. 27)
4. Provides that the director of the Division serves as the director of the Oversight Board. (Sec. 28)
 5. Removes the requirement that the director of the Division have demonstrated competency, in private business or government service, in school finance, facilities design or facilities management. (Sec. 28)
 6. Allows the Oversight Board to convene subcommittees as needed on specific issues, including school facility safety standards. (Sec. 32)
 7. Requires the Oversight Board to review and approve student population projections to determine how much school districts are entitled to receive to construct new facilities.
 - a) States the Oversight Board must make a final determination within five months after receiving a school district's application for monies from the NSF Fund. (Sec 28)
 8. Directs the Oversight Board to certify that plans for new school facilities meet building adequacy standards. (Sec. 28)
 9. Stipulates the Oversight Board must review and approve or reject requests submitted by school districts to reduce pupil square footage. (Sec. 28)
 10. Establishes the requirement that, by December 15 annually, the Oversight Board submit a report to the Speaker of the House of Representatives (Speaker), the President of the Senate (President), the SPI, the Secretary of State and the Governor that contains the following information:
 - a) A detailed description of monies the Oversight Board distributed;
 - b) A list of each capital project that received monies from the Oversight Board during the previous fiscal year, a brief description of each funded project and summary of the reasons for distributing monies; and
 - c) A summary of the findings and conclusions of the building maintenance inspections conducted. (Sec. 28)
 11. Requires the Oversight Board to electronically report:
 - a) The necessary amounts to fulfill the requirements for new school facility funding for the next three fiscal years, by December 1 annually, to the Speaker, the President, the Governor and the Joint Committee on Capital Review (JCCR).
 - i. Specifies that the most recent average daily membership (ADM) must be used for these calculations and requires the Arizona Department of Education to make the most recent ADM data available.
 - b) Detailed information regarding demographic assumptions, a proposed construction schedule and new school construction cost estimates for individual projects approved in the current fiscal year and expected project approvals for the upcoming fiscal year, by June 15 annually, to JCCR.

- i. Specifies that the report must be submitted electronically to the Governor's Office of Strategic Planning and Budgeting.
- c) All class B bond approvals by school districts, by December 31 annually, to the Joint Legislative Budget Committee (JLBC).
 - i. Requires each school district to report this information to the Oversight Board by December 1 annually. (Sec. 28)

Division

- 12. Establishes the Division within ADOA. (Sec. 26)
- 13. Allows the Division to contract with a third party to inspect or certify school district self-inspections of school buildings at least once every five years to ensure compliance with building adequacy standards. (Sec. 28)
- 14. Deletes language that requires the Division to:
 - a) Review and approve student population projections;
 - b) Certify that plans for new school facilities meet the building adequacy standards;
 - c) That the Division review and approve or reject requests submitted by school district governing boards to reduce pupil square footage; and
 - d) That the Division annually report all class B bond approvals by school districts to JLBC. (Sec 28)
- 15. Mandates the Division adopt rules regarding the validation of proposed adjacent ways projects.
 - a) Requires the Division to then validate proposed adjacent ways projects pursuant to the rules adopted by the Division.
 - b) Instructs the Division to submit a monthly report to the Oversight Board that details each validated adjacent ways project. (Sec. 28)
- 16. Requires the Division to brief JCCR at least once each year regarding the use of monies from the EDC Fund, the BRG Fund and the NSF Fund. (Sec. 28)

BRG Fund

- 17. Directs the Division to administer the BRG Fund. (Sec. 34)
- 18. Instructs the Division to implement policies and procedures to require a school district to report the preventive maintenance activities that have been completed during the previous 12 months for the facilities for which BRG Fund monies are being requested.
 - a) Requires a school district to submit a preventive maintenance plan to the Division to be eligible for BRG Fund monies. (Sec. 34)
- 19. Specifies that a BRG expires 12 months after the grant request is approved unless the Division issues an extension. (Sec. 34)
- 20. States that if the Division approves a BRG project and determines that similar projects take, on average, longer than 12 months to complete, the Division must extend the BRG expiration date. (Sec. 34).
- 21. Allows a school district to request an extension for a BRG. (Sec. 34)
- 22. Stipulates that upon expiration of a BRG grant, a school district must return any unused BRG monies to the Division for deposit in the BRG Fund. (Sec. 34)
- 23. Allows the Division to spend BRG Fund monies for assessments to determine if a BRG is warranted. (Sec. 34)

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24. Requires the Division to submit a monthly report to the Division that details how BRG Fund monies have been distributed. (Sec. 34)
25. Mandates the Division adopt rules regarding:
 - a) The approval of BRGs; and
 - b) Time frames regarding:
 - i. Approving or denying of BRG requests for critical projects;
 - ii. Notifying an applicant that the BRG application is incomplete;
 - iii. Providing regular updates to applicants regarding completed applications; and
 - iv. Distributing monies from the BRG Fund. (Sec. 34)

EDC Fund

26. Directs the Division to administer the EDC Fund. (Sec. 33)
27. Requires a school district governing board, before applying for EDC Fund monies, to issue an emergency declaration or resolution in order to be eligible for EDC Fund monies. (Sec. 33)
28. Mandates the Oversight Board review all policies and procedures that the Division develops to administer the EDC Fund. (Sec. 33)
29. Alters the meaning of *emergency*, for the purposes of the EDC Fund, to include:
 - a) A situation that threatens life services;
 - b) A situation in which the school district is under orders from an authority having jurisdiction for an unsafe environment; and
 - c) The school district receives a professional and certified assessment showing that one or more facilities or systems are structurally unsafe and directly impact the functions of the school district with no alternative option available. (Sec. 33)

NSF Fund

30. Directs the Division to administer the NSF Fund. (Sec. 35)
31. Repeals the Capital Reserve Fund. (Sec. 16)
32. Deletes the requirement that any unobligated contract monies in the NSF Fund be transferred to the Capital Reserve Fund. (Sec. 35)
33. Stipulates that at the direction of the Oversight Board, the Division may distribute NSF Fund monies for additional square footage as outlined in statute. (Sec. 35)
34. Allows any extra monies received by a school district from the NSF Fund as a result of a modification based on geographic or site conditions to be used to address unforeseen costs at any stage of an NSF Fund project. (Sec. 35)

Procurement and Safety Standards

35. Subjects any project that school district undertakes and that is authorized by the Oversight Board or the Division to the procurement rules adopted by the State Board of Education (SBE). (Sec. 28)
36. Prohibits the Oversight Board and the Division from adopting any policy or procedure that alters, supplements or subtracts from the procurement rules adopted by SBE. (Sec. 28)
37. Allows the Oversight Board or the Division to contract, in compliance with procurement practices, assessments for school buildings to determine if the buildings have been condemned. (Sec. 28)
38. Requires a school district that receives BRG Fund or NSF Fund monies to consider the school facility safety standards when completing approved projects or constructing new school facilities with monies received from the funds. (Sec. 32)

Arizona State Schools for the Deaf and the Blind (ASDB)

39. Mandates the Oversight Board adopt and establish minimum school facility adequacy guidelines for ASDB. (Sec. 28)
40. Deletes language that:
 - a) Requires the Division to report, in each even-numbered year, to JCCR the needed amounts to fulfill new school facility funding requirements for ASDB for the following two fiscal years;
 - b) Instructs ASDB to incorporate the Division's new school facility funding recommendations in any request for new school facilities monies; and
 - c) Directs the Division to adopt minimum school facility adequacy guidelines for ASDB; and (Sec. 28)

Succession

41. Grants the Oversight Board within the Division within ADOA and the Division within ADOA the authority, powers, duties and responsibilities of SFB. (Sec. 73)
42. States that a person serving as a member of SFB is eligible to continue to serve as a member of the Oversight Board until the expiration of their current term. (Sec. 72)
43. Provides that administrative rules and orders that were adopted by SFB continue until superseded by administrative action by the Oversight Board or the Division. (Sec. 73)
44. Stipulates that all administrative matters, contracts and judicial and quasi-judicial actions of SFB are transferred to and retain the same status with the Oversight Board and the Division. (Sec. 73)
45. Specifies all certificates, licenses, registrations, permits and other indicia of qualifications and authority that were issued by SFB retain their validity for the duration of their terms of validity as provided by law. (Sec. 73)

Appropriation

46. Appropriates \$60,000,000 from the state General Fund in FY 2022 to the BRG Fund. (Sec. 74)

Transferring and Renaming

47. Renames Title 41, Chapter 56, Article 1, as transferred and renumbered, from *School Facilities Board* to *School Facilities*. (Sec. 25)
48. Transfers and renumbers Title 15, Chapter 16, A.R.S., relating to school capital finance, to Title 41, relating to state government, as a new Chapter 56. (Sec. 17)

Miscellaneous

49. Makes a conforming change, subject to Proposition 105 requirements. (Sec. 75)
50. Makes technical changes. (Sec. 1, 4-12, 14, 15, 20, 22, 23, 27-29, 32, 36, 40, 48, 52, 60, 61, 67, 69, 71)
51. Makes conforming changes. (Sec. 1-15, 18-24, 27-66, 68-71)