



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

AMENDED

FACT SHEET FOR H.B. 2555

SFB; department of administration

Purpose

Transfers the authority, powers, duties and responsibilities of the School Facilities Board (SFB) to the Division of School Facilities (Division) within the Arizona Department of Administration (ADOA). Increases Division reporting requirements and sunsets the Division on July 1, 2024. Contains requirements for enactment for initiatives and referendums (Proposition 105).

Background

The SFB consists of nine Governor-appointed members and the Superintendent of Public Instruction (SPI) or the SPI's designee, who serves as a nonvoting advisory member. The Governor selects a Chairperson from the appointed members and appoints an Executive Director for the SFB who must have demonstrated competency in school finance, facilities design or facilities management. The Executive Director of the SFB is responsible for analyzing applications for SFB monies, reviewing or auditing the expenditure of monies by school districts, assisting school districts with facility-related issues and assisting the SFB with statutorily outlined tasks (A.R.S. §§ [15-2001](#) and [15-2002](#)).

The SFB administers the New School Facilities Fund (NSF Fund), Building Renewal Grant Fund (BRG Fund) and Emergency Deficiencies Correction Fund (EDC Fund) to provide capital funding for kindergarten through grade 12 (K-12) school districts. The NSF Fund consists of legislative appropriations and monies received from the lease of state public school land for public education purposes. Monies in the NSF Fund provide K-12 school districts funding to purchase land and construct new school facilities to accommodate student enrollment growth. The BRG Fund consists of legislative appropriations distributed to school districts for maintaining the adequacy of existing school facilities. The EDC Fund consists of monies transferred from the NSF Fund and provides school districts with monies for facility emergencies (A.R.S. §§ [15-2022](#); [15-2032](#); and [15-2041](#)).

The SFB is responsible for: 1) assessing school facilities and equipment deficiencies and approving the distribution of grants; 2) maintaining a database of school facilities to administer the BRG Fund and the new school facilities formula; 3) inspecting school buildings at least once every five years to ensure compliance with building adequacy standards; 4) reviewing and approving student population projections submitted by school districts to determine new school facility construction; 5) certifying that plans for new school facilities meet building adequacy standards; 6) developing prototypical elementary and high school designs and reviewing design differences; 7) developing application and reporting forms, policies and procedures; 8) reviewing and approving or rejecting school district requests for reducing pupil square footage; 9) submitting an annual report on SFB disbursements and projects; 10) submitting an annual report on the

amounts necessary to fulfill the NSF Fund and EDC Fund requirements to the Joint Committee on Capital Review (JCCR); 11) adopting minimum school facility adequacy guidelines for the Arizona State Schools for the Deaf and the Blind (ASDB); 12) biennially reporting to the JCCR on the amounts necessary to fulfill the ASDB NSF Fund construction requirements; 13) submitting an annual report containing demographic assumptions, a proposed construction schedule and new school facility construction cost estimates to the JCCR and Governor; 14) biennially providing school districts with information on improving and maintaining indoor environmental quality in school buildings; 15) submitting an annual report to the Joint Legislative Budget Committee (JLBC) on class B bond approvals; and 16) validating proposed adjacent ways projects ([A.R.S. § 15-2002](#)). The SFB sunsets on July 1, 2022 ([A.R.S. § 41-3022.18](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

Division of School Facilities (Division)

1. Establishes the Division within ADOA.
2. Requires the Director of ADOA to appoint the Director of the Division and allows the Director of the Division to hire and fire staff as prescribed by statute.
3. Allows the Division to contract with a third party to inspect or certify school district self-inspections at least once every five years to ensure compliance with building adequacy, reporting and maintenance requirements.
4. Requires the Division to:
 - a) adopt rules regarding the validation of adjacent ways projects; and
 - b) validate proposed adjacent ways projects pursuant to the rules adopted by the Division.
5. Allows the Division to contract for private services, construction management services and assessments for school buildings.
6. Allows the Division, in compliance with procurement practices, to contract for assessments to determine if a school building has been condemned.
7. Allows the Division to enter into an agreement with a public procurement unit for procuring materials and services to correct school facility deficiencies.
8. Requires the Division to review and approve student population projections submitted by school districts to determine how much monies school districts are entitled to receive for constructing new school facilities.
9. Requires the Division to make a final determination within five months after receiving a school district's application for monies from the NSF Fund.
10. Requires the Division to certify that new school facility plans meet prescribed building adequacy standards.

11. Requires the Division to review and approve or reject requests submitted by school districts to reduce pupil square footage.
12. Requires the Division to:
 - a) establish minimum school facility adequacy standards for ASDB; and
 - b) adopt minimum school facility adequacy guidelines to provide the minimum quality and quantity of school buildings, facilities and equipment necessary for pupils to achieve ASDB educational goals.
13. Allows the Division to convene subcommittees as needed on specific issues, including school facility safety standards.
14. Requires a school district that receives monies from the BRG Fund or NSF Fund to consider school facility safety standards when completing approved projects or constructing new school facilities with monies received from either Fund.
15. Removes the requirement that the Division must biennially report to the JCCR on the amounts necessary to fulfill ASDB new school facility construction.
16. Prohibits an employee of the Division from:
 - a) having a financial interest in any property, facility or contract financed with Division monies; or
 - b) soliciting, accepting or providing gifts as prohibited by state law.
17. Terminates the Division within ADOA on July 1, 2024.

Reporting Requirements

18. Requires the Division to annually brief the JCCR regarding the use of monies from the EDC Fund, BRG Fund and NSF Fund.
19. Requires the Division, by December 15 of each year, to electronically submit a report to the Speaker of the House of Representatives (Speaker), President of the Senate (President), Governor, SPI and Secretary of State that includes the following information for the previous fiscal year:
 - a) a detailed description of the monies distributed by the Division;
 - b) a list of the capital projects that received monies from the Division, a description of each funded project and a summary of the reasons for funding the funded projects; and
 - c) a summary of the findings and conclusions of the building maintenance inspections.
20. Requires the Division, by December 1 of each year, to electronically report the necessary amounts to fulfill new school facility funding for the next three years to the JCCR and provide a copy of the report to the President, Speaker and Governor.
21. Requires the Division to use the most recent average daily membership (ADM) data available when calculating the necessary amounts for NSF Fund funding and requires the Arizona Department of Education to provide the Division with the most recent ADM data available, if requested.
22. Requires the Division, by June 15 of each year, to electronically submit a report to the JCCR and the Governor's Office of Strategic Planning and Budgeting (OSPB) containing:

- a) detailed information regarding demographic assumptions;
- b) a proposed construction schedule;
- c) new school construction cost estimates for projects approved in the current fiscal year; and
- d) expected project approvals for the upcoming fiscal year.

- 23. Requires the JLBC, OSPB and the Division to agree on the format of the report.
- 24. Requires each school district, by December 1 of each year, to report to the Division on class B bond approvals.
- 25. Requires the Division, by December 31 of each year, to report on all class B bond approvals by school district in that calendar year to the JLBC.

Emergency Deficiencies Correction Fund (EDC Fund)

- 26. Requires the Division to administer the EDC Fund.
- 27. Directs a school district governing board to issue an emergency declaration or resolution before applying for emergency funding to qualify for monies from the EDC Fund.
- 28. Expands the meaning of *emergency* to include:
 - a) a situation that threatens life services such as adequate water supply, energy and wastewater;
 - b) a situation in which a school district is under orders for an unsafe environment from an authority with jurisdiction; and
 - c) a school district receiving a professional certified assessment demonstrating that one or more facilities or systems are structurally unsafe and directly impacting the functions of the school district, with no alternative options available.

Building Renewal Grant Fund (BRG Fund)

- 29. Directs the Division to administer the BRG Fund.
- 30. Requires a school district to submit a preventive maintenance plan to the Division to be eligible for BRG Fund monies.
- 31. Specifies that a building renewal grant expires 12 months after grant approval unless the Division issues an extension.
- 32. Requires, if the Division approves a project and determines that similar projects on average take longer than 12 months to complete, the Division to extend the grant expiration date based on the average amount of time similar projects have required for completion.
- 33. Requires the Division to establish a process for a school district to request a building renewal grant extension.
- 34. Requires a school district, upon expiration of a grant, to return any unspent monies from the BRG Fund to the Division for deposit into the BRG Fund.

35. Requires the Division to implement policies and procedures requiring a school district to report the preventive maintenance activities completed during the past 12 months for facilities for which BRG Fund monies are being requested.
36. Requires the Division to adopt rules regarding the approval of building renewal grants and time frames for:
 - a) approving or denying grant requests for critical projects;
 - b) notifying an applicant when their building renewal grant application is incomplete;
 - c) providing regular updates to applicants regarding complete grant applications; and
 - d) distributing monies from the BRG Fund.
37. Allows the Division to spend monies from the BRG Fund on assessments to determine if a grant is warranted.

New School Facilities Fund (NSF Fund)

38. Requires the Division to administer the NSF Fund.
39. Requires the Division to distribute monies to school districts for constructing new school facilities, purchasing land, certain contracted expenses and additional square footage, as outlined in statute.
40. Allows any extra monies received 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.
41. Permits a school district to apply for monies from the NSF Fund if one or more school buildings have been condemned.
42. Removes the requirement that any unobligated contract monies in the NSF Fund be transferred to the Capital Reserve Fund.
43. Repeals the Capital Reserve Fund.

Statutory Transfer and Renumbering

44. Transfers and renumbers [Title 15, Chapter 16](#) relating to School Capital Finance to [Title 41](#) as a new Chapter 56.
45. Renames [Title 41, Chapter 56, Article 1](#) from *School Facilities Board* to *Division of School Facilities*.

Succession

46. Transfers the authority, powers, duties and responsibilities of the SFB to the Division.
47. Specifies that the effects of any actions taken or the valid obligations of the SFB in existence before the effective date of this legislation are not impaired or altered.
48. Continues the enforcement of SFB-adopted administrative rules and orders until superseded by administrative action by the Division.

49. Specifies that all SFB administrative matters, contracts and judicial and quasi-judicial actions are transferred to and retain the same status within the Division.
50. Specifies that all SFB-issued certificates, licenses, registrations, permits and other indicia of qualification and authority retain their validity for the duration of their terms of validity, as provided by law.
51. Transfers all SFB equipment, records, furnishings and other property, data and investigative findings, obligations and appropriated monies remaining unexpended and unencumbered to the Division on the effective date of this legislation.
52. Transfers state school facilities revenue bond and state school improvement revenue bond obligations to the Division.
53. Specifies that all SFB-employed personnel who are under the state personnel system are transferred to comparable positions and pay classifications in the respective administrative units of the Division on the effective date of this legislation.

Miscellaneous

54. Makes technical and conforming changes.
55. Makes conforming changes regarding outstanding state school facilities revenue bonds, subject to the affirmative vote of at least three-fourths of the members of each house of the Legislature (Proposition 105).
56. Becomes effective on the general effective date.

Amendments Adopted by Committee

1. Transfers the authority, powers, duties and responsibilities to the Division, rather than to the Division and the School Facilities Oversight Board (Oversight Board).
2. Eliminates the Oversight Board and its membership and transfers the outlined authority, powers, duties and responsibilities of the Oversight Board to the Division.
3. Repeals the Division on July 1, 2022.
4. Specifies that school facilities revenue bonds and school improvement revenue bonds are the obligation of the Division.
5. Makes technical and conforming changes.

Amendments Adopted by Committee of the Whole

1. Extends the Division's sunset date from July 1, 2022, to July 1, 2024, to conform with ADOA's sunset date.
2. Makes technical and conforming changes.

FACT SHEET – Amended

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House Action

ED	2/2/21	DPA	7-2-0-1
APPROP	2/10/21	DP	12-1-0-0
3 rd Read	2/23/21		51-8-1

Senate Action

APPROP	3/23/21	DPA	6-4-0
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Prepared by Senate Research

May 24, 2021

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