

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
SCHOOL FACILITIES BOARD**

GENERAL FUND

FY 2010 General Fund Budget \$113,111,800*

AGENCY REDUCTION TARGET - GENERAL FUND \$16,966,700

Priority	Issue Title¹	Reductions Amount
1	Full Day Kindergarten Capital for Debt Service (one-time savings)	\$8,000,000
2	Building Renewal Project Grants	\$750,000
	Issue Total	\$8,750,000
	Fund Total as a Percentage of General Fund Reduction Target	52%

*Of the total General Fund budget of \$113,111,800, a large portion (\$77,100,000) has already been expended for debt service payments. An additional payment of \$31,600,000 is due February 15, 2010 (see Issue Description 1).

¹ Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

School Facilities Board

Issue Title: Full Day Kindergarten Capital for Debt Service

Issue Priority: 1

Reduction Amounts:

General Fund: \$8,000,000

Total: \$8,000,000

Amount: \$8,000,000

Issue Description and Statement of Effects

Laws 2008 Chapter 287 Section 54 required the SFB to raise new construction funds through a lease-to-own transaction. The law dedicated \$8 million of those funds to designing classroom space for full-day kindergarten (see Section 26 of the same bill). The SFB issued the debt in November 2008.

However, Laws 2009 3rd SS Chapter 12 Section 43 reversed the full-day kindergarten change and eliminated the new construction projects associated with those funds. Therefore, the SFB currently has no ability to expend these dollars.

The SFB has a LTO debt service payment due of February 15, 2010 of \$31.6 million. The \$8 million in FDK funds could be used to pay part of the debt service payment. To do this, the Legislature would have to change Laws 2008 Chapter 287 Section 54 to allow the use. That change would have to effective by February 15, 2010.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

School Facilities Board

Issue Title: Building Renewal Project Grants

Issue Priority: 2

Reduction Amounts:

General Fund: \$750,000

Total: \$750,000

Amount: \$750,000

Issue Description and Statement of Effects

For FY 2010, the School Facilities Board received \$3 million for Building Renewal Project Grants (A.R.S. 15-2032). These grants are awarded to school districts to complete primary building renewal projects. Primary building renewal projects are those projects necessary to correct a facility or equipment failure related to the state minimum facility guidelines. These funds are allocated to the SFB on a quarterly basis.

The SFB has already received qualifying grant requests in excess of \$3 million. However, the SFB has only awarded the first two quarterly allotments. Therefore, \$1.5 million has not yet been awarded (Note: after the SFB October Board meeting, approximately \$411,000 of the first two allotments remained un-awarded. The SFB anticipates awarding these funds on November 4). Table 1 provides a list of applications currently under consideration. After the submittal of this report, the SFB will continue to receive applications.

Table 1 - Building Renewal Grant Fund Outstanding Applications

District	Issue	Amount
Agua Fria UHSD	Fire alarm system replacements - Agua Fria HS & Millennium HS	\$783,750
Canon ESD	HVAC replacements (3)	\$10,000
Paloma ESD	Roof replacement/repair on admin/library building	\$80,000
Yarnell ESD	Mold in school gym	\$25,000
Saddle Mtn USD	Water reclamation facility additional work	\$70,000
Chino Valley USD	HVAC unit replacements at Heritage Middle School	\$140,876
Chino Valley USD	HVAC unit replacements at Del Rio Elementary	\$99,534

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Ajo USD	Roof repair - cafeteria	\$11,611
Casa Grande ESD	Parking Lot repaving	\$742,800
Clarkdale-Jerome ESD	Roof replacement	\$124,000
Camp Verde	Mold Clean up	\$600,000
Williams Unified	Roof	\$510,000
Ganado Unified	Fire alarm and Fire Hydrants	\$140,000
Total		\$3,337,571

After the November 4 meeting, applying districts will be notified that no additional funds will be available until January 2010. Districts may then elect to withdraw their application or wait until January. If the district chooses to withdraw the application, they may apply for Emergency Deficiency Funds (15-2022). If School Facilities Board finds the issue to be a qualifying emergency, A.R.S. 15-907 allows the district to petition the county supervisors to levy a local property tax to pay for the cost of repairs.

Legal Concerns

For the last ten-years, certain school districts have been litigating against the state (Roosevelt vs. Jane D. Hull) over building renewal support. The state court of appeals essentially found that the school districts have to show that they have existing minimum guideline failures that cannot be fixed because of a lack of state funds. To date, the plaintiffs have not been able to provide that evidence. The court has offered to reinstate the case anytime the plaintiffs can provide such evidence. It is unclear how the court would view the correction of qualifying emergencies through a local property tax.