Arizona Department of Administration - School Facilities Division

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	17.0	22.0	22.0
Personal Services	1,003,300	804,800	804,800
Employee Related Expenditures	414,200	307,100	307,100
Professional and Outside Services	81,600	85,800	85,800
Travel - In State	5,800	8,000	8,000
Travel - Out of State	500	2,000	2,000
Other Operating Expenditures	86,200	417,000	417,000
OPERATING SUBTOTAL	**1,591,600**	**1,624,700**	**1,624,700**
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(40,600)
New School Facilities (FY 2024 Authorizations)	77,898,600	0	0
New School Facilities (FY 2025 Authorizations)	31,489,500	45,077,100	0
New School Facilities (FY 2026 Authorizations)	0	95,597,700	94,137,900 1/
New School Facilities (FY 2027 Authorizations)	0	0	12,734,900 2/3/4/5/
Chino Valley Unified School District	0	0	0
Holbrook Unified School District	0	0	0
St. David Unified School District	0	0	0
New School Facilities Debt Service	9,938,100	9,938,100	9,938,100 6/7/
Building Renewal Grants Deposit	199,967,900	199,967,900	199,967,900
Building Renewal Grants Administration	0	750,000	750,000 8/
AGENCY TOTAL	**320,885,700**	**352,955,500**	**319,112,900** 9/
FUND SOURCES			
General Fund	320,885,700	352,955,500	319,112,900
SUBTOTAL - Appropriated Funds	**320,885,700**	**352,955,500**	**319,112,900**
Other Non-Appropriated Funds	182,500	0	0
Federal Funds	1,538,200	2,164,200	2,164,200
TOTAL - ALL SOURCES	322,606,400	355,119,700	321,277,100

AGENCY DESCRIPTION — The School Facilities Division in the Arizona Department of Administration administers the New School Facilities Fund, the Building Renewal Grant Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts. The division is assisted in its duties by a School Facilities Oversight Board composed of 7 gubernatorial appointments, along with the State Superintendent of Public Instruction and the Director of the Department of Administration serving as advisory non-voting members.

FOOTNOTES

1/ Laws 2025, Chapter 233, appropriated $94,137,900 from the General Fund in FY 2027 for the New School Facilities FY 2026 authorizations.

2/ Pursuant to section 41-5741, Arizona Revised Statutes, the amount appropriated for new school facilities shall be used only for facilities and land costs for school districts that received final approval from the division of school facilities on or before December 15, 2025. (General Appropriations Act footnote)

3/ After approving a distribution of funding for a land purchase, a land lease or the construction of a new school, the division of school facilities shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting the final amount of the distribution. (General Appropriations Act footnote)

4/ The legislature intends that the appropriation to the division of school facilities in fiscal year 2027-2028 for new school facilities may include up to $10,000,000 for end of useful life projects that receive final approval from the division of school facilities on or before December 15, 2026 pursuant to section 41-5741, Arizona Revised Statutes. (General Appropriations Act footnote)

5/ The division of school facilities may use not more than $27,318,100 of the unencumbered balance in the new school facilities fund established by section 41-5741, Arizona Revised Statutes, for facilities and land costs for school districts that received final approval on or before December 15, 2025 from the division of school facilities pursuant to section 41-5741, Arizona Revised Statutes.

6/ At least thirty days before any monies are transferred out of the new school facilities debt service line item, the division of school facilities shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriations Act footnote)

7/ Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the division of school facilities under the federal qualified school construction bond program in fiscal year 2026-2027 shall be deposited in or revert to the state general fund. (General Appropriations Act footnote)

8/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

9/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by division.

Operating Budget

The budget includes $1,624,700 and 17.0 FTE Positions from the General Fund in FY 2027 for the operating budget. This amount is unchanged from FY 2026.

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(40,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline book will incorporate the agency's planned reduction into the operating budget display.

New School Facilities

The budget includes $106,872,800 from the General Fund in FY 2027 for New School Facilities, which is a decrease of $(33,802,000) from FY 2026. The funding amount for New School Facilities includes the following:

- $94,137,900 for the remaining 50% of construction funding to complete 3 projects which were authorized to begin construction in FY 2026.
- $12,734,900 for FY 2027 New School Facilities Fund authorizations, which include $36,977,200 to resolve an Office of Administrative Hearings (OAH) case brought against SFD by the Agua Fria Union High School District, $1,832,200 for site conditions, $460,000 for a land donation credit, $783,600 for demolition costs at 2 school districts, and $(27,318,100) for savings from prior year projects that were completed under budget. All new school construction is labeled as one-time spending rather than ongoing spending. *(See Table 3 for a summary of New School Facilities Funding)*

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. A school district qualifies for new construction funding when the districtwide square feet per student is predicted to fall below the statutory minimum within the next 2 years. This square footage shortfall can occur from either enrollment growth or when a district's capacity is reduced under a process where SFD is authorized to declare a building (or buildings) has outlived its useful life. Funding is then provided to the district at a statutorily-prescribed dollar amount per square foot.

A footnote in the FY 2027 General Appropriations Act states that it is the Legislature's intent that FY 2028 New School Facilities funding may include up to $10,000,000 for end of useful life projects that receive final approval from SFD on or before December 15, 2026.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC.

At its January 2026 meeting, the JLBC approved a 4.8% adjustment in the cost per square foot. This inflation adjustment is based on a measure of construction costs since December 2024 when the Committee last adopted an adjustment. This adjustment would apply to any FY 2027 projects approved by the division. Because the division approved no projects to begin construction in FY 2027, this adjustment would first apply to projects beginning in FY 2028. (S*ee Table 1 for the current statutory funding amounts*).

Table 1

New School Facilities
Statutory Funding Guidelines – FY 2027 Awards 1/ 2/

Type of School	Per Student	Funding Per Square Foot
K-6	90	$358.46
7-8	100	$378.44
9-12 (<1,800 pupils)	134	$438.11
9-12 (≥1,800 pupils)	125	$438.11

1/ Increased by 5% for rural school districts.
2/ Adjusted annually for inflation in subsequent years.

In addition, the division distributes money for land acquisition and site conditions. Site conditions funding is used for extraordinary site-specific construction needs such as: 1) earth moving costs beyond normal requirements, such as dynamite blasting; 2) building footings that must be deeper than standard code (in excess of 3 feet below grade); and 3) replacing poor/collapsing soil which cannot support buildings with other materials such as engineered fill. Site conditions do not include the costs of utilities placement or complying with standard local building codes.

New School Facilities (FY 2024 Authorization)

The budget includes no funding in FY 2027 for New School Facilities projects which were authorized to start construction in FY 2024. This amount is unchanged from FY 2026.

Background – The FY 2024 budget included funding for 7 projects, for which monies were distributed in FY 2024 and FY 2025:

- Agua Fria (9-12) – for a new high school including land
- Liberty (K-8) – for a new elementary school including land.
- Queen Creek (K-6) – for 2 elementary school additions.
- Queen Creek (K-6) – for a new elementary school including land.
- Queen Creek (7-8) – for 2 middle school additions.
- Saddle Mountain (9-12) – for a high school addition.
- Snowflake (9-12) – for a new high school including land.

New School Facilities (FY 2025 Authorization)

The budget includes no funding in FY 2027 for New School Facilities projects which were authorized to start construction in FY 2025. Adjustments are as follows:

New School Funding Completion

The budget includes a decrease of $(45,077,100) from the General Fund in FY 2027 for the completion of 5 projects:

- Maricopa (6-8) – for a new middle school and a land purchase
- Queen Creek (9-12) – for 2 high school additions.
- Sahuarita (9-12) – for high school addition and site conditions. The SFD award (and corresponding appropriated amount) for this project reflects a deduction of $(484,900) for design costs previously funded.
- Valentine (K-8) – for a replacement school, site conditions, and demolition. SFD has determined that Valentine Elementary School has outlived its useful life. Under statute, with that determination, SFD removed the school's capacity and recalculated the new construction square footage requirements based on total district enrollment and minimum adequacy guidelines. SFD then awarded the district a 15,463 square foot project.

New School Facilities (FY 2026 Authorization)

The budget includes $94,137,900 from the General Fund in FY 2027 for New School Facilities projects which were authorized to start construction in FY 2026. Adjustments are as follows:

Continue New School Construction Projects

The budget includes an increase of $538,600 from the General Fund in FY 2027 for New School Facilities projects. These school districts are projected to be at capacity in FY 2027 or before. The first half of construction costs and 100% of land costs for each project were funded in FY 2026. The FY 2026 General Appropriations Act advance appropriated the remaining 50% of construction costs for each project in FY 2027. The projects are as follows:

- Laveen (K-8) – for a new elementary school including land.
- Nadaburg (K-8) – for a new elementary school including a land donation credit.
- Snowflake (7-8) – for a new middle school (due to the size of the project, the full cost was funded in FY 2026).
- Tolleson (9-12) – for a new high school.

This adjustment also includes the removal of $10,000,000 of one-time savings associated with project consolidations in FY 2026. The savings from these consolidations were realized by reducing SFD's FY 2026 New School Facilities appropriation.

The FY 2026 General Appropriations Act appropriated the remaining $94,137,900 of funding in FY 2027 to fund the remaining 50% of construction costs for these projects. As

a result, these monies do not appear in the FY 2027 General Appropriations Act.

Remove One-Time Site Condition Funding

The budget includes a decrease of $(1,998,400) from the General Fund in FY 2027 for one-time funding related to the following projects approved by SFD:

Pima Unified 9-12 (FY 2023 School)	$(1,955,000)
Queen Creek 9-12 (FY 2025 School)	$(43,400)

New School Facilities (FY 2027 Authorization)

The budget includes $12,734,900 from the General Fund in FY 2027 for New School Facilities projects that are funded in FY 2027. Adjustments are as follows:

Agua Fria Construction Adjustment

The budget includes an increase of $36,977,200 from the General Fund in FY 2027 to resolve Office of Administrative Hearings (OAH) claims made by Agua Fria Union High School District regarding SFD's decision to "hold for consideration" the district's request for additional funding of a new high school above what SFD had previously awarded the district for FY 2024.

The $36,977,200 is based on requested additional capacity of 783 students and the cost-per-square-foot rate that would have been applicable in FY 2024. While the Legislature typically appropriates only 50% of construction costs for New School Facilities projects in the first year, due to the terms of the settlement the budget includes the full $36,977,200 amount in FY 2027.

One-Time Site Condition Funding

The budget includes an increase of $1,832,200 from the General Fund in FY 2027 for one-time funding related to the Agua Fria High School project that was previously funded in FY 2024.

One-Time Land Donation Credit

The budget includes an increase of $460,000 from the General Fund in FY 2027 for one-time funding related to a land donation credit for Litchfield Elementary District. Statute requires SFD to pay districts 20% of the fair market value of school property the district receives from a donation, if the property is appropriate for a school site.

One-Time Demolition Costs

The budget includes an increase of $783,600 from the General Fund in FY 2027 for one-time demolition costs related to the following end of useful life projects funded in FY 2026:

Chino Valley Unified School District	$522,900
St. David Unified	$260,700

An FY 2026 General Appropriations Act footnote authorized SFD to use unencumbered balances in the New School Facilities Fund to construct new facilities in Chino Valley Unified and St. David Unified *(see below).* The FY 2027 appropriations for these districts fund the demolition of existing facilities within these districts to provide space for the new construction authorized in FY 2026.

Prior Year Project Savings

The budget includes a decrease of $(27,318,100) from the General Fund in FY 2027 to account for prior year project savings used to offset the General Fund cost of approved New School Facilities Fund projects. These savings were available due to projects that have received New School Facilities monies in prior years finishing under budget.

The total cost for the projects funded in FY 2027 is $40,053,000. These costs are funded from the FY 2027 appropriation of $12,734,900 along with the unencumbered balance of $27,318,100 in the New School Facilities Fund due to prior year project savings.

Chino Valley Unified School District

The budget includes no funding in FY 2027 for construction in Chino Valley Unified School District. This amount is unchanged from FY 2026.

Background – On August 7, 2024, SFD approved the retirement of 10,485 square feet from the Chino Valley High School building system. On December 13, 2024, SFD approved the construction of 9,200 square feet of new classroom space for Chino Valley High School at a cost of $4,038,300. An FY 2026 General Appropriations Act footnote authorized SFD to use the unencumbered balance of $18,117,400 in the New School Facilities Fund for this project, which resulted in the project receiving no direct General Fund appropriation in FY 2026.

Holbrook Unified School District

The budget includes no funding in FY 2027 for construction in Holbrook Unified School District. This amount is unchanged from FY 2026.

Background – On August 7, 2024, SFD approved the retirement of 30,828 square feet from the Hulet Elementary School building system. The school district transferred 1st through 5th grade students from Hulet Elementary to Park Elementary. On December 13, 2024, SFD approved the construction of 5,100 square feet of new physical education space for Park Elementary School

at a cost of $2,281,500. An FY 2026 General Appropriations Act footnote authorized SFD to use the unencumbered balance of $18,117,400 in the New School Facilities Fund for this project, which resulted in the project receiving no direct General Fund appropriation in FY 2026.

St. David Unified School District

The budget includes no funding in FY 2027 for construction in St. David Unified School District. This amount is unchanged from FY 2026.

Background – On August 7, 2024, SFD approved the retirement of 5,214 square feet from the St. David High School building system. On December 13, 2024, SFD approved the construction of 4,300 square feet of new workshop space for St. David High School at a cost of $1,797,600. An FY 2026 General Appropriations Act footnote authorized SFD to use the unencumbered balance of $18,117,400 in the New School Facilities Fund for this project, which resulted in the project receiving no direct General Fund appropriation in FY 2026.

New School Facilities Debt Service

The budget includes $9,938,100 from the General Fund in FY 2027 for New School Facilities Debt Service. This amount is unchanged from FY 2026.

SFD's only current debt service is for an FY 2010 lease-purchase agreement used to finance the costs of new school construction. That agreement requires the $9,938,100 annual debt service payment through FY 2027 and a final lower debt service amount in FY 2028.

The FY 2027 budget includes $9,938,100 for the debt service requirement for the 2010 Qualified School Construction Bonds (QSCB) issuance. The lease-purchase agreement associated with the QSCBs requires the state to appropriate the entire debt service amount for the payment, as opposed to deducting the expected federal subsidy from the payment. The state is expected to receive a federal subsidy of $3,729,900 in FY 2027 related to the lease-purchase payment.

Pursuant to A.R.S. § 35-142.01, the subsidy funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of $6,208,200.

Other Programs

Building Renewal Grants Deposit

The budget includes $199,967,900 from the General Fund in FY 2027 for Building Renewal Grants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(183,300,000) from the General Fund in FY 2027 to remove one-time FY 2026 funding for building renewal grants.

Continue One-Time Funding

The budget includes an increase of $183,300,000 from the General Fund in FY 2027 to continue one-time funding for building renewal grants.

Since FY 2014, the state has funded an ongoing "base" amount of Building Renewal Grant funding of $16,667,900. *(See Table 2.)*

Table 2

Building Renewal Appropriations
FY 2013 - FY 2027

Fiscal Year	Ongoing	One-Time	Total
2013	2,667,900	0	2,667,900
2014	16,667,900	0	16,667,900
2015	16,667,900	0	16,667,900
2016	16,667,900	15,000,000	31,667,900
2017	16,667,900	15,000,000	31,667,900
2018	16,667,900	27,167,900	43,835,800
2019	16,667,900	59,417,900	76,085,800
2020	16,667,900	90,790,900	107,458,800
2021	16,667,900	129,591,100	146,259,000
2022	16,667,900	183,949,100	200,617,000
2023	16,667,900	183,300,000	199,967,900
2024	16,667,900	183,300,000	199,967,900
2025	16,667,900	183,300,000	199,967,900
2026	16,667,900	183,300,000	199,967,900
2027	16,667,900	183,300,000	199,967,900

Background – SFD distributes monies to school districts to fund "primary" building renewal projects. SFD prioritizes projects with emphasis given to school districts that have provided routine preventative maintenance. "Primary" building renewal projects are those required to meet the minimum adequacy guidelines. Statute also requires SFD to prioritize funding to critical projects.

Pursuant to A.R.S. § 41-5721, SFD is required to transfer excess funds in the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund to the extent that the transfer does not affect or disrupt any approved new construction projects.

If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors.

Building Renewal Grants Administration

The budget includes $750,000 and 5 FTE Positions from the General Fund in FY 2027 for Building Renewal Grants Administration. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(750,000) and (5) FTE Positions from the General Fund in FY 2027 to remove one-time FY 2026 funding for operating costs associated with the administration of the Building Renewal Grant program. The FY 2026 budget makes the FY 2026 appropriation non-lapsing.

Continue One-Time Funding

The budget includes an increase of $750,000 and 5 FTE Positions from the General Fund in FY 2027 to continue one-time funding for operating costs associated with the administration of the Building Renewal Grant program. The FY 2027 budget makes this appropriation non-lapsing.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SFD's General Fund formula and debt service costs are projected to decrease by $(151,250,600) in FY 2028 below FY 2027 and increase by $16,690,000 in FY 2029 above FY 2028. These estimates are based on:

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining second year funding in FY 2028 for schools which were authorized to begin construction in FY 2027; and 2) Providing funding for conceptual approvals made by SFD as part of the agency's long-term planning process.

Because the FY 2027 budget did not include any new schools under the standard SFD award process, the long-term estimates do not include any FY 2028 funding for FY 2027 construction starts.

In FY 2028, new school construction spending is projected to increase by $34,504,000. FY 2028 projects are as follows:

- Buckeye Elementary (K-8) – for a new elementary school.
- Buckeye Union (9-12) – for a new high school, including land.
- Marana (9-12) – for a new high school.
- Maricopa (9-12) – for a high school addition.
- Nadaburg (9-12) – for a high school addition.

These 5 projects would cost a total of $270,174,000. Of that amount, the first $141,376,800 (including one-time land costs of $12,579,600) would be funded in FY 2028. This $141,376,800 increase would be offset by $(106,872,800) in savings associated with the completion of projects funded in FY 2027.

In addition, FY 2029 new school construction spending is projected to increase by $24,173,500. FY 2029 projects are as follows:

- Queen Creek (9-12) – for a high school addition.
- Saddle Mountain (9-12) – for a high school addition.
- Somerton (K-6) – for a new elementary school, including a land donation credit.

These 3 projects would cost a total of $73,186,200. Of that amount, the first $36,753,100 (including one-time land donation credit costs of $320,000) would be funded in FY 2029. This $36,753,100 increase would be offset by $(12,579,600) in savings associated with funding the second half of projects that began in FY 2028, as this remaining funding provided in FY 2029 removes one-time land costs for this set of projects.

New construction projects assumed to start in FY 2028 and FY 2029 reflect SFD conceptual approvals as of December 2025.

Building Renewal Grant Funding

SFD Building Renewal Grant funding would decrease by $(183,300,000) in FY 2028 and remain unchanged for FY 2029. The enacted budget 3-year spending plan labeled the $183,300,000 of FY 2027 funding as one-time and discontinues it in FY 2028, which would return SFD Building Renewal Grant funding to the ongoing "base" level of $16,667,900.

New School Facilities Debt Service

SFD new school facilities debt service funding would decrease by $(2,454,600) in FY 2028 below FY 2027. This decrease represents the lower amount in the final year of SFD's debt service schedule for an FY 2010 lease-purchase agreement used to finance the costs of new school construction.

This debt service funding would further decrease by $(7,483,500) in FY 2029 below FY 2028 to reflect the conclusion of payments for this long-term debt.

Table 3

Long-Term New School Facilities Funding

	Type	Sq. Ft	Rate	Student Capacity	FY 2026	FY 2027	FY 2028	FY 2029
FY 2025 Starts								
Maricopa 6-8	New	96,670	341.44	1,000	16,503,500			
Queen Creek 9-12	Addition	37,500	402.43	300	7,545,600			
Queen Creek 9-12	Addition	62,500	402.43	500	12,576,000			
Sahuarita 9-12 [1/]	Addition	29,750	402.43	238	5,743,700			
Valentine K-8 (Rural)	Replacement	15,463	350.29	151	2,708,300			
Subtotal - FY 2025 Starts					**$ 45,077,100**			
FY 2026 Starts								
Laveen K-8	New	92,400	346.55	1,000	16,010,600	16,010,600		
Laveen Land	New	92,400	346.55	1,000	7,000,000			
Nadaburg K-8	New	73,920	346.55	800	12,808,500	12,808,500		
Nadaburg K-8 Land Donation	New	73,920	346.55	800	300,000			
Snowflake 7-8 (Rural)	New	5,700	379.17	57	2,161,400			
Tolleson 9-12	New	312,500	418.04	2,500	65,318,800	65,318,800		
Pima 9-12 Site Conditions					1,955,000			
Queen Creek 9-12 Site Conditions					43,400			
Prior Year Project Consolidation Savings					(10,000,000)			
Subtotal - FY 2026 Starts					**$ 95,597,700**	**$ 94,137,900**		
FY 2026 Additional Construction Projects								
Chino Valley Unified School District [2/]					-			
Holbrook Unified School District [2/]					-			
St. David Unified School District [2/]					-			
FY 2027 Starts								
Agua Fria 9-12 (OAH Settlement)	New	97,875	377.80	783		36,977,200		
Agua Fria Site Conditions						1,832,200		
Litchfield K-8 Land Donation						460,000		
Chino Valley Unified - Demolition						522,900		
St. David Unified - Demolition						260,700		
Prior Year Project Savings						(27,318,100)		
Subtotal - FY 2027 Starts						**$ 12,734,900**		
FY 2028 Starts								
Buckeye Elementary K-8	New	87,780	363.18	950			15,940,000	15,940,000
Buckeye Union 9-12	New	300,000	438.11	2,400			65,716,500	65,716,500
Buckeye Union 9-12 Land	New	300,000	438.11	2,400			12,579,600	
Marana 9-12	New	50,000	438.11	400			10,952,800	10,952,800
Maricopa 9-12	Addition	125,000	438.11	1,000			27,381,900	27,381,900
Nadaburg 9-12	Addition	40,200	438.11	300			8,806,000	8,806,000
Subtotal - FY 2028 Starts							**$ 141,376,800**	**$ 128,797,200**
FY 2029 Starts								
Queen Creek 9-12	Addition	62,500	438.11	500				13,691,000
Saddle Mountain 9-12	Addition	67,000	438.11	500				14,676,700
Somerton K-6	New	45,000	358.46	500				8,065,400
Somerton K-6 Land Donation								320,000
Subtotal - FY 2029 Starts								**$ 36,753,100**
Total					**$ 140,674,800**	**$ 106,872,800**	**$ 141,376,800**	**$ 165,550,300**

1/ Project formula reduced by $484,900 for design costs previously funded.

2/ Pursuant to a General Appropriations Act footnote, this project may be funded by unencumbered balances in the New School Facilities Fund in FY 2026.