

# Arizona School Facilities Oversight Board

## Sunset Review

### Initial Followup of Report 24-103

The May 2024 Arizona School Facilities Oversight Board (Board) sunset review found that the Board has taken steps to meet some statutory responsibilities but has not ensured the accuracy of student enrollment projections or reviewed consistent information when approving districts’ square footage reduction requests, increasing its risk of approving State monies to build new school facilities that are not needed. We made **12** recommendations to the Board.

#### Board’s status in implementing 12 recommendations

Implementation status	Number of recommendations
 Implemented	3 recommendations
 In process	6 recommendations
 Not implemented	3 recommendations

We will conduct a 24-month followup with the Board in spring 2026 on the status of the recommendations that have not yet been implemented.

# Recommendations to the Board

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## Sunset Factor 2: The Board’s effectiveness and efficiency in fulfilling its key statutory objectives and purposes

1. The Board should revise its process for evaluating and revising districts’ enrollment projections to require its contractor to provide it with multiple enrollment projections, such as best-case, expected, and worst-case scenarios, based on a model with different assumptions.

▶ Status: **Not implemented.**

In its response to our May 2024 sunset review report, the Board reported that it would not implement this recommendation. Additionally, during this followup, the Board reported that it has continued to rely on its contractor’s enrollment projection model that was in place during the audit, which the Board reported is intended to provide the “expected” scenario based on the information available at the time. As we reported during the audit, the Board’s contractor does not vary its model’s underlying assumptions to produce multiple projections, such as by varying expected student retention rates. As a result, the Board may not have the necessary information to determine whether the assumptions used to produce the enrollment projections are reasonable or applicable for each district it considers for New Schools Facilities (NSF) Fund projects.

2. The Board should develop and implement a process for assessing the accuracy of its enrollment projections, including policies and procedures, to:

- a. Annually compare the difference between contractor and district self-reported enrollment projections to the actual average daily membership (ADM) for NSF Fund requests submitted in the prior fiscal year, including reviewing current and historical differences in the accuracy of the projections over several years, such as 5 years.

▶ Status: **Implementation in process.**

The Arizona Department of Administration (Department), School Facilities Division (Division), has developed a process for annually comparing the contractor’s and districts’ self-reported enrollment projections to actual ADM and presenting a summary of differences to the Board.<sup>1</sup> Additionally, Division staff have developed a draft template for tracking current and historical differences in the accuracy of enrollment projections for up to 5 years. However, Division staff have not developed written policies and procedures for preparing the annual report or for reviewing current and historical differences in the accuracy of the projections over several years. We will further assess the Board’s implementation of this recommendation during our next followup.

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<sup>1</sup> According to Arizona Revised Statutes §41-5702, the Division’s director is required to serve as the Board’s director and may hire and fire staff necessary to assist the Board and its functions. To that end, Division staff provide administrative support to the Board, such as by developing procedures for Board policies and preparing recommendations to the Board on whether to approve district requests for NSF Fund monies.

- b. Work with its contractor to identify reasons for substantial differences in projected and actual enrollments, and to adjust its projection model, as applicable.

- ▶ Status: **Not implemented.**

According to Board documents, in June 2024, the Board met with its enrollment projection contractor to discuss its methodology and to review the relevant recommendations we made. However, the Board did not provide evidence that it worked with its contractor to identify reasons for substantial differences in projected and actual enrollments and to adjust its projection model, as applicable. The Board has also not yet developed policies and procedures related to identifying reasons for substantial differences in projected and actual enrollments. We will further assess the Board's implementation of this recommendation during our next followup.

- c. Present a summary of the differences in the projected and actual enrollments annually in an open meeting.

- ▶ Status: **Implemented at 6 months.**

In calendar year 2024, Division staff prepared a report for the Board comparing the difference between its contractor's and districts' self-reported enrollment projections to actual ADM for NSF Fund requests submitted in fiscal year 2024 and presented this report to the Board at its November 2024 public meeting. Additionally, Division staff have developed a tracker/procedure for providing this report to the Board each November.

- 3. The Board should develop written procedures or other written guidance for implementing its policy related to square footage reductions based on buildings' end of useful life to include:

- a. Standard assessment tools that must be used when performing end-of-useful-life assessments.

- ▶ Status: **Implementation in process.**

Division staff have developed draft procedures for implementing the Board's policy related to end-of-useful-life assessments. These procedures specify inspection tools inspectors should use when performing an assessment, such as the physical tools required to complete the assessments and a checklist of specific areas the inspector should assess. We will further assess the Board's implementation of this recommendation during our next followup.

- b. Required training that must be completed to qualify to conduct end-of-useful-life assessments, such as specific courses that must be completed or training certifications that must be obtained, including the frequency of the training and when the training needs to be updated.

- ▶ Status: **Implementation in process.**

Division staff's draft procedures discussed in recommendation 3a state that end-of-useful-life assessments should be conducted by a certified building inspector,

preferably with an International Code Council commercial building certification, or a combination of other substantially similar certifications. Additionally, the Board has secured a contracted building inspector through a State-wide contract for facility-condition assessments on State-owned buildings to perform end-of-useful-life assessments in fiscal year 2025. As a part of the project solicitation, the vendor was required to provide documentation of its inspectors' professional training and/or certifications to demonstrate the necessary knowledge to perform these inspections. We will further assess the Board's implementation of this recommendation during our next followup.

- c.** A process for determining whether Division staff, Department General Services Division staff, Division contractors, or a combination thereof should perform an end-of-useful-life assessment.

- ▶ Status: **Implementation in process.**

The Board reported it is only using its contracted building inspector to perform end-of-useful-life assessments in fiscal year 2025. In an April 2025 Board meeting, Division staff proposed that starting with the fiscal year 2026 assessments, end-of-useful-life assessments be conducted by Division staff, Department General Services Division staff, and Division contractors. According to Division staff, the Division will use a risk-based approach depending on factors such as the size and use of the building that needs to be inspected to determine who will perform end-of-useful-life assessments in the future. However, Division staff have not incorporated this proposed risk-based approach in its draft procedures for end-of-useful-life assessments. We will further assess the Board's implementation of this recommendation during our next followup.

- d.** Roles and responsibilities for reviewing assessment results and making recommendations to the Board.

- ▶ Status: **Implementation in process.**

Division staff have developed end-of-useful-life assessment review procedures that outline roles and responsibilities for reviewing assessment reports and making recommendations to the Board based on end-of-useful-life criteria. We will further assess the Board's implementation of these procedures during our next followup.

- e.** Guidance for Board members and Division staff on how to weigh and consider each end-of-useful-life assessment criteria to make an overall determination on whether buildings are at the end of their useful life, such as creating a decision matrix.

- ▶ Status: **Implementation in process.**

Division staff have developed a draft decision matrix with various assessment criteria that Board members and Division staff should consider when making an overall determination on whether buildings are at the end of their useful life. In July and October 2024, the Board and Division staff met during 2 public study sessions to discuss and develop the criteria to include within this decision matrix. During these study sessions, various criteria were discussed and approved for inclusion in

the draft decision matrix, such as whether the building is still useable for its desired purpose and/or the building footprint can accommodate a major renovation. The Board and Division staff agreed to use the draft matrix as a resource during its fiscal year 2025 end-of-useful-life assessments and to reassess the matrix after they are completed. We will further assess the Board’s implementation of this recommendation during our next followup.

### **Sunset Factor 3: The extent to which the Board’s key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.**

4. The Board should work with the Legislature to clarify and/or revise the inspection requirements in A.R.S. §41-5702(F).

▶ Status: **Not implemented.**

Division staff reported having discussed potential legislative proposals for revising the inspection requirements specified in A.R.S. §41-5702(F) during a Division staff meeting held in September 2024. Additionally, in February 2025, more than 9 months after we issued our report, and after we initiated our followup work, Division staff provided suggested revisions removing the duplicative requirements within this statute to Governor’s Office staff. We will further assess the Board’s implementation of this recommendation during our next followup.

### **Sunset Factor 5: The extent to which the Board has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.**

5. The Board should update its public notice disclosure statement, including the physical posting location of meeting notices, and post the notices accordingly.

▶ Status: **Implemented at 6 months.**

The Board has updated the public notice disclosure statement on its website to indicate the physical location where public notices for its meetings will be posted, and we found the Board posted a meeting notice at the physical location listed on its disclosure statement for its November 2024 meeting.

### **Sunset Factor 8: The extent to which the Board has established safeguards against possible conflicts of interest.**

6. The Board should comply with its conflict-of-interest policy by ensuring its members submit a conflict-of-interest disclosure form annually that includes a signature from the Department’s designee and a remediation form for any disclosed conflicts of interest.

▶ Status: **Implemented at 6 months.**

As of February 2025, all 6 Board members had completed a conflict-of-interest disclosure form for calendar year 2025 that included a signature from the Department’s designee. Additionally, the Department’s designee completed a remediation form for

each of the 3 Board members who disclosed potential conflicts of interest, as required by Board policy.