

# **School Facilities & The Accumulation of District Space Since 2007**

**Authors: Kamryn Brunner and  
Glenn Farley**

## ABOUT THE AUTHORS

**Kamryn Brunner** is CSI Arizona’s research analyst. In May 2022, she graduated from Grove City College with a B.A. in economics. She has interned for The Western Journal and has worked as a volunteer, page, and legislative aide in the South Dakota state capitol. She has also worked for a grassroots organization in Washington D.C. advocating for parents’ rights in education. This background has given her a passion for understanding state governments and providing them with the information needed to serve their state in a beneficial way.

**Glenn Farley** is CSI Arizona’s Director of Policy & Research. For the past eight years he has worked in the Office of the Arizona Governor, most recently as Gov. Doug Ducey’s Chief Economist and a policy advisor. In that role he advised on issues of tax, fiscal, and regulatory policy, and was one of the Governor’s lead architects of his two major tax reforms – the 2018 tax overhaul that established the State’s first remote sellers sales tax and dedicated the proceeds to a major simplification and overhaul of the individual income tax, followed by the 2021 income tax omnibus which phased in a 2.50% flat tax (the lowest in the country). Mr. Farley has also led the budget team that produced the Executive revenue forecasts and caseload spending numbers that have helped ensure the longest run of conservative, structurally balanced budgets in State history. Mr. Farley has a Masters in Economics from Arizona State University’s WP Carey College of Business, as well as a B.S. from Arizona State University. He was born and raised in Arizona where he now lives with his wife and two daughters.

## About Common Sense Institute

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Arizona’s economy. CSI is at the forefront of important discussions concerning the future of free enterprise in Arizona and aims to have an impact on the issues that matter most to Arizonans.

CSI’s mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Arizonans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the Arizona economy and individual opportunity.

Common Sense Institute was founded in 2010 in Colorado originally as Common Sense Policy Roundtable. CSI’s founders were a concerned group of business and community leaders who observed that divisive partisanship was overwhelming policymaking and believed that sound economic analysis could help voters everywhere make fact-based and common-sense decisions.

## Table of Contents

<b>About Common Sense Institute</b> .....	3
<b>Key Findings &amp; Introduction</b> .....	4
<b>Background</b> .....	5
<b>Capital Funding Over Time</b> .....	8
<b>Charter School Enrollment</b> .....	10
<b>Projected enrollment growth chart</b> .....	12
<b>Student Capacity Surplus</b> .....	14
<b>School Quality Affects Vacancy Rates</b> .....	17
<b>Conclusion</b> .....	19

## Key Findings & Introduction

As state funding for education has changed over the last 20 years, this report will take a deep dive into school facilities and capital funding. While school capital facilities have typically relied on local funding, Arizona has a School Facilities Oversight Board (SFB) to ensure each school district meets minimum building standards. Despite the creation of this board in 1998, local property taxes have continued to provide the majority of district school capital funding. In fact, property taxes have constituted around 75% of total district school capital funding since 2006. This local funding is over and above the primary funding source for maintaining state facility standards.

Over the past two decades, \$6.1 billion in General Fund money has gone towards district school facilities through the School Facilities Oversight Board. At the same time, districts have raised and spent at least another \$13.6 billion in local funds above the state funding they received to maintain facilities. While public district schools do have the most students out of all school options in Arizona, other public school options do not receive capital funding from SFOB. For example, in 2000, when this funding began, charter school enrollment only made up about 5% of total public-school enrollment in Arizona. In the last 20 years, charter school enrollment increased to almost 20% of total public-school enrollment. The State does not directly provide dedicated capital support to Charter Schools, and Charter operators additionally cannot access a local property tax for bond support.

CSI's analysis of Arizona's school capital finance system found that:

- Since the creation of SFB, state school districts have built **324 new buildings and added 23.7 million square feet of space**. Together, CSI estimates that Arizona's public district schools would be the 5th largest private landowner in the state.
- District student enrollment has not recovered from pandemic-era declines (when it fell 6%). In the decade between the Great Recession and the pandemic (2008-2019), enrollment had been flat. **Since 2020, enrollment has declined by 30,000 students.**
- **CSI estimates the value of all vacant and excess space in district schools to be \$3.3 billion.** If the 100 most overbuilt school districts sold their excess space at the commercial market rate, school districts could raise enough revenue to offset all SFB spending since 2009 (about \$3 billion).

Since 2007, district school enrollment has decreased by 9% while the total **square footage has increased by 15%**. Because SFB has only been mandated to add space and maintain buildings and not to manage vacant

space or offload unused buildings, this board has enabled districts to overbuild and over accumulate assets.

Districts then have multiple ways to acquire capital, either with state or local funds, but very little holding them accountable for the use of these facilities. While SFB cannot force the sale, lease, or demolition of property that they do not own, Arizonans can hold the owners of this property accountable for managing space that they have funded with their tax dollars.

## Background

The School Facilities Board (SFB) was created in 1998 as part of the school capital finance system reforms intended to reduce disparities across districts due to the existing property-tax based finance system. At the time, property taxes provided the sole regular source of district capital funding, and even today local property taxes are a sizable share of district funding through bonds, overrides, and similar options available to district Boards. However, the property tax system is inherently disproportionate, as it is highly dependent on the property value available to a Board to tax and the willingness of district residents to approve the override. For example, the property-richest zip code in Arizona has 41 times the property value of the property-poorest<sup>i</sup>. Due to the unequal funding inherent to this system, in 1994 a lawsuit was brought by several school districts against the then-superintendent. That suit demonstrated that property rich districts did indeed tend to have more funding<sup>ii</sup>.

In response, the Arizona State Legislature passed the Students Fair and Immediate Resources for Students Today (Students FIRST) in 1998. This legislation intended to create a school capital finance system that:

- Provided a general and uniform source of funding that covered all district schools equitably.
- Maintained adequate buildings standards and provided sufficient funds to districts for complying with these standards.
- Created a consistent method for expanding school spaces based on student population growth.
- Complied with the Arizona Constitution's "general and uniform" clause and did not create funding disparities across school districts<sup>iii</sup>.

The new capital finance system created an oversight Board (the School Facilities Board or "SFB", reformed in 2022 as the School Facilities Oversight Board) and three funds to provide general capital funding for maintaining buildings, renewing old buildings, and the construction of new schools. SFB

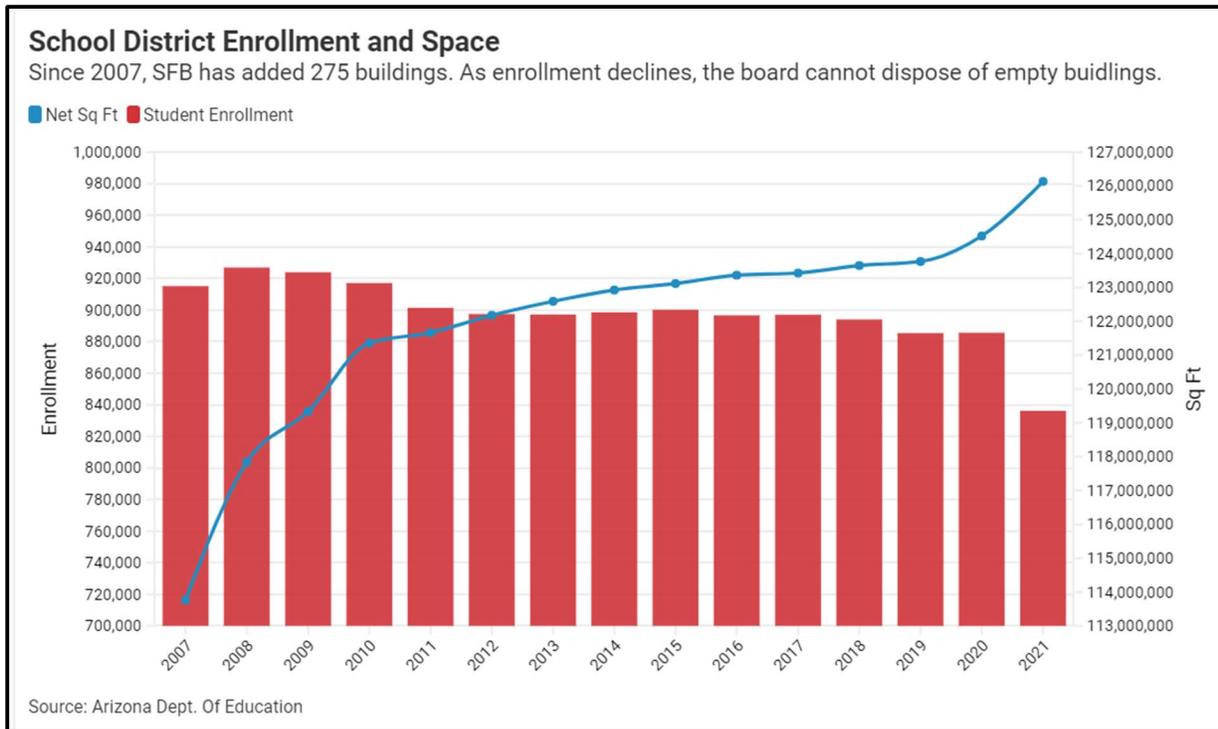
oversees these funds, reports on the vacant space in each school district, and creates standards for the districts to follow when requesting maintenance or new construction of buildings. These minimum standards dictate the amount of space per student, the amount of funding per square foot that districts can receive for new construction, and other standards that would allow for uniformity across districts.

However, the 1998 reforms did not eliminate local discretion in the management of school capital. While Students FIRST initially limited district's ability to raise local funds through bonds, these local property tax limits were rolled back due to decreasing property values during the Great Recession. Since the Great Recession, these limits have not been lowered, so districts can still receive funding from bonds and local sources (called "overrides"). While the School Facilities board ensures all district schools meet a minimum standard, school capital facilities – whether locally- or State-funded – remain the exclusive titled property of the School District. SFB has no authority to force the lease, sale, or demolition of vacant or under-used space in shrinking districts, beyond enforcement of the adequacy standards and despite having exclusive authority to determine when new (State-funded) buildings are constructed.

Also critically, the SFB mandates did not contemplate Charter schools, which have since grown to encompass nearly 20% of public-school enrollment. The Charter system of space accumulation and school construction is at the exclusive discretion of the operator and limited by its State-provided per student operating revenues. Unlike district schools, a charter must necessarily grow or shrink with its enrollment, and has no financial incentive to retain or add unnecessary space – the state and/or local taxpayers will not provide funding to add or maintain underused space.

Using Arizona county assessors' data, CSI estimates that school districts are among the top 5 private landowners in Arizona with approximately 18,000 acres of land. For reference, while the State Land Trust owns and manages 9.2 million acres, most of those are in rural parts of the state and the Trust owns only about 1 million acres in the urban counties; school district land is often concentrated in and around population centers<sup>iv</sup>. Strikingly, **the 5 largest school districts alone have accumulated about 25% of district owned land across the state**, leaving the remaining 207 districts (97% of the total districts) with just 75% of the land<sup>v</sup>. While these 5 districts also have about 25% of total district student enrollment, today, these 5 districts **all** own excess space and have enough surplus capacity for 41

thousand students<sup>vi</sup>.



Given declining enrollment, this has created substantial vacant space, excess capital funding, and substantial real estate holdings; Arizonans should hold the School Facilities Oversight Board and school districts accountable for managing these excess resources, given that the State and its taxpayers have assumed for themselves responsibility for both adding new space and maintaining the existing space.

In 2021, the School Facilities Board’s statutory responsibilities were transferred to the Arizona Department of Administration and the newly established Division of School Facilities and the School Facilities Oversight Board. As of October 2022, the Department of Administration has started implementing many of the recommendations that the Auditor General (AG) identified in their sunset review of SFB (now SFOB)<sup>vii</sup>. While this transfer of responsibility may mitigate some of the efficiency and operational issues, problems with the school capital finance system persist. CSI believes data suggest that the sunset review did not go far enough in identifying and pushing for solutions specific to the state’s overaccumulation of district site space since 1998. Instead, the issue of vacancies is a result of policies that hamper the effectiveness of SFB’s ability to manage school facilities.

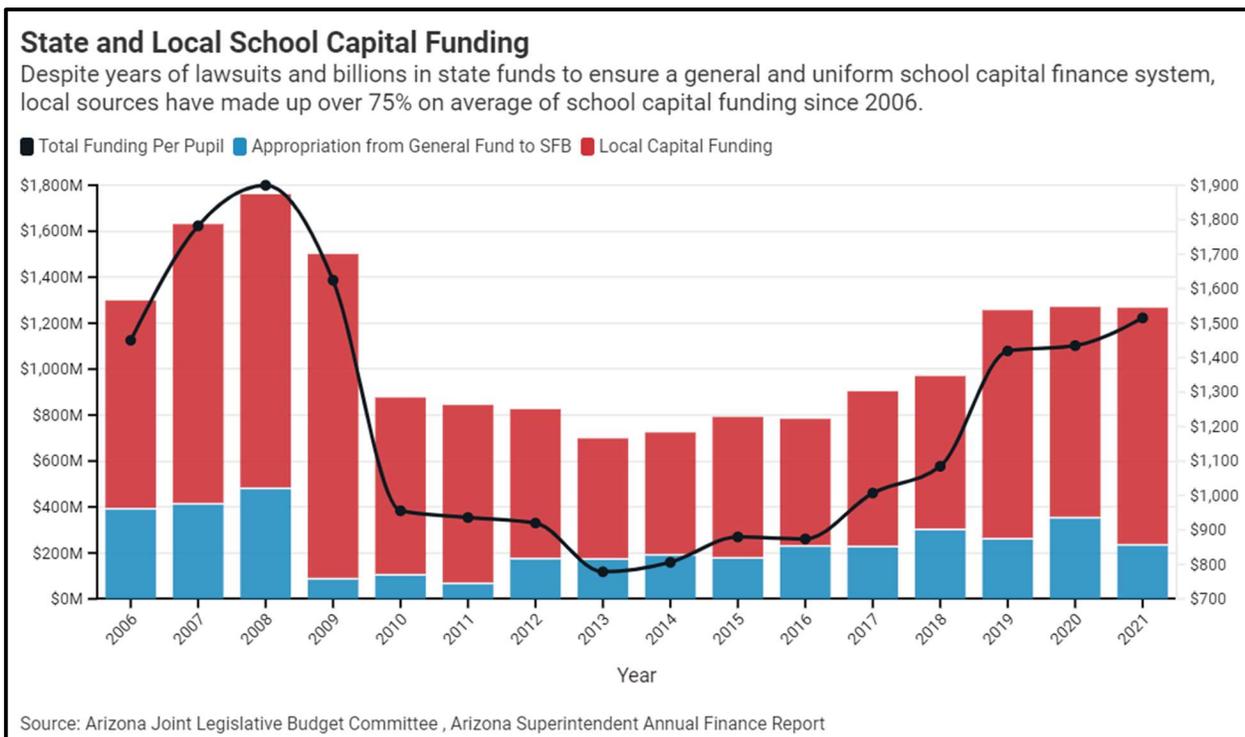
This issue is likely to become even more poignant in the future given the post-pandemic demand shift CSI has identified, and the state’s subsequent

passage of 2022's HB 2853 which created the universal Empowerment Scholarship Account eligibility category<sup>viii</sup>.

Funding capital for district schools was a very large problem when SFB was formed in 2000 as districts held 95% of public-school students. However, the scope of this board has become and will continue to be very narrow as more options for student education become available and charter, private, and homeschools become more accessible to students in Arizona.

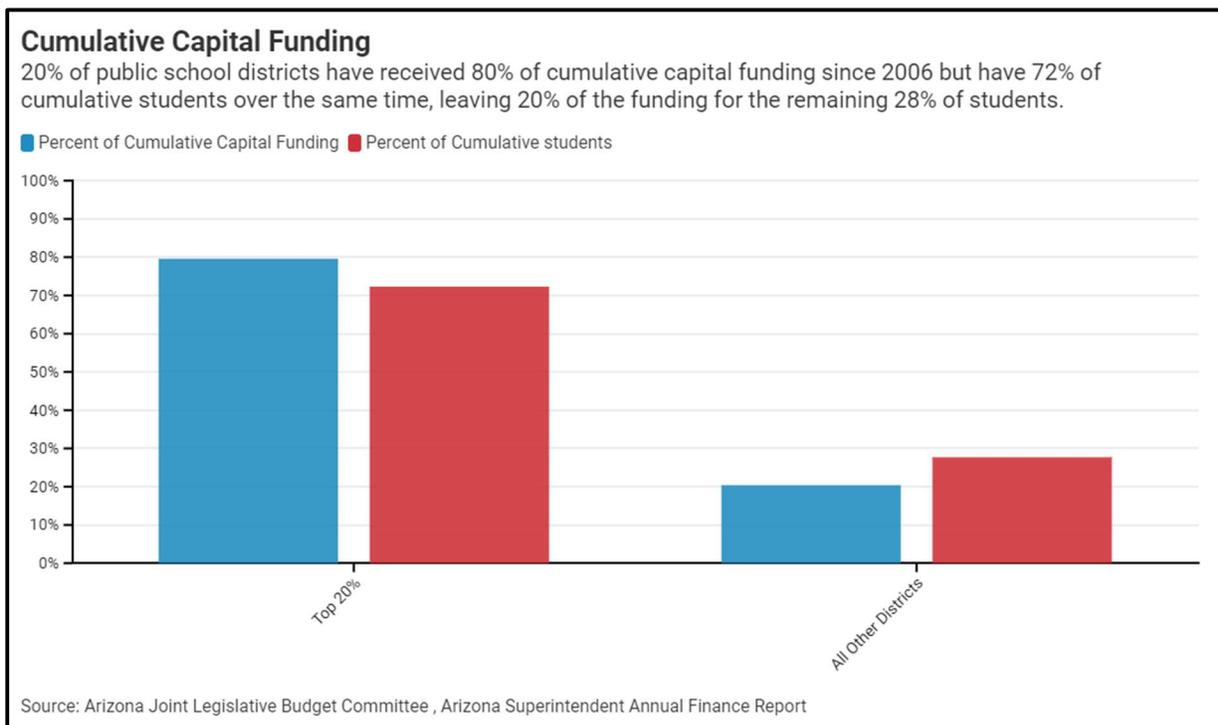
### Capital Funding Over Time

SFB was created to fund the maintenance and construction of district school capital according to a standard set for all schools. Notably, no mechanism or entity – statewide or local – manages the process for selling, demolishing, or repurposing no-longer-required space, even as student counts have plateaued, and system-wide capital funding has continued rising since the Great Recession. Decisions to sell, re-purpose, or otherwise dispose of school district capital assets are at the sole discretion of the local district itself, and CSI's review of the historical precedent suggests that district management is generally reluctant to dispose of these assets regardless of need. On top of this, the state since 2016 has again increased district hard and soft capital funding, while simultaneously retaining the Great Recession-era increased local property tax limits. As a result, the system today is awash in capital funding, even as student counts have been flat or declining.



While the State funds SFB and was supposed to ensure general and uniform funding across districts, local capital funds over and above the state facility standards have constituted around 75% of total capital funding since 2006. Districts that received less funding under the old capital finance system still tend to receive the least amount of funding under the new system. Although the disparities are fewer, the property rich districts or education supportive areas still receive more local capital funding than others. Ability to levy a substantial property tax, and local voter willingness to approve it, remains a substantial determiner of total district capital resource availability.

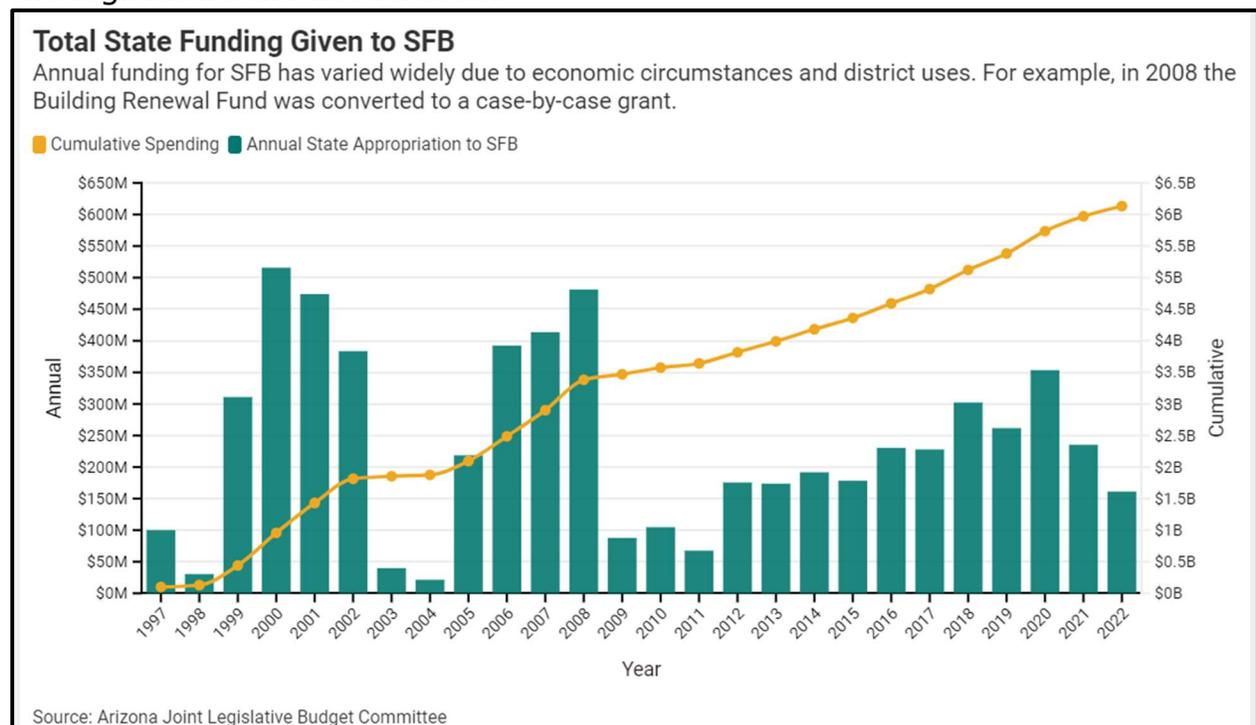
For example, in 2021 Gila Bend Unified School District and Riverside Elementary receive over \$20,000 per student while others, such as Chinle Unified and Altar Valley Elementary School Districts, receive less than \$50 per student<sup>ix</sup>.



Instead of equalizing funding across districts, SFB simply elevated the amount that the lowest districts received while the State still allows the property rich districts to continue self-funding their schools; while that might be viewed as a laudable outcome it does not provide equity given the states open enrollment system and competitive K-12 landscape. The new system is more akin to a funding 'floor' – guaranteeing that no district will receive *less* than the State-offered support, while the state's wealthiest districts are allowed to far exceed these minimums using local bonds.

Since its creation, SFB has spent \$6.1 billion in general funds to maintain building standards, correct problems that arise unexpectedly in buildings, and construct new buildings<sup>x</sup>. While this does correct some problems that the Arizona Supreme Court found with the old school capital finance system, it also created other problems that the legislature did not foresee upon the creation of the system.

A large part of this \$6.1 billion was spent between 1999 and 2008 while monies for building renewal were awarded from a fund. In 2008, the Building Renewal Fund was converted to a Building Renewal Grant because the Great Recession required the state to rein in spending and districts were building up reserves of capital without following the reporting requirements on how the money was used. Districts needed to be held accountable for their spending on school facilities, so the Building Renewal Grant allowed the State and SFB to understand how Building Renewal money was being used. While the State has taken steps to correct some problems that the Arizona Supreme Court found with the old school capital finance system and with the current system, the Students FIRST legislation created other problems that the legislature did not foresee.

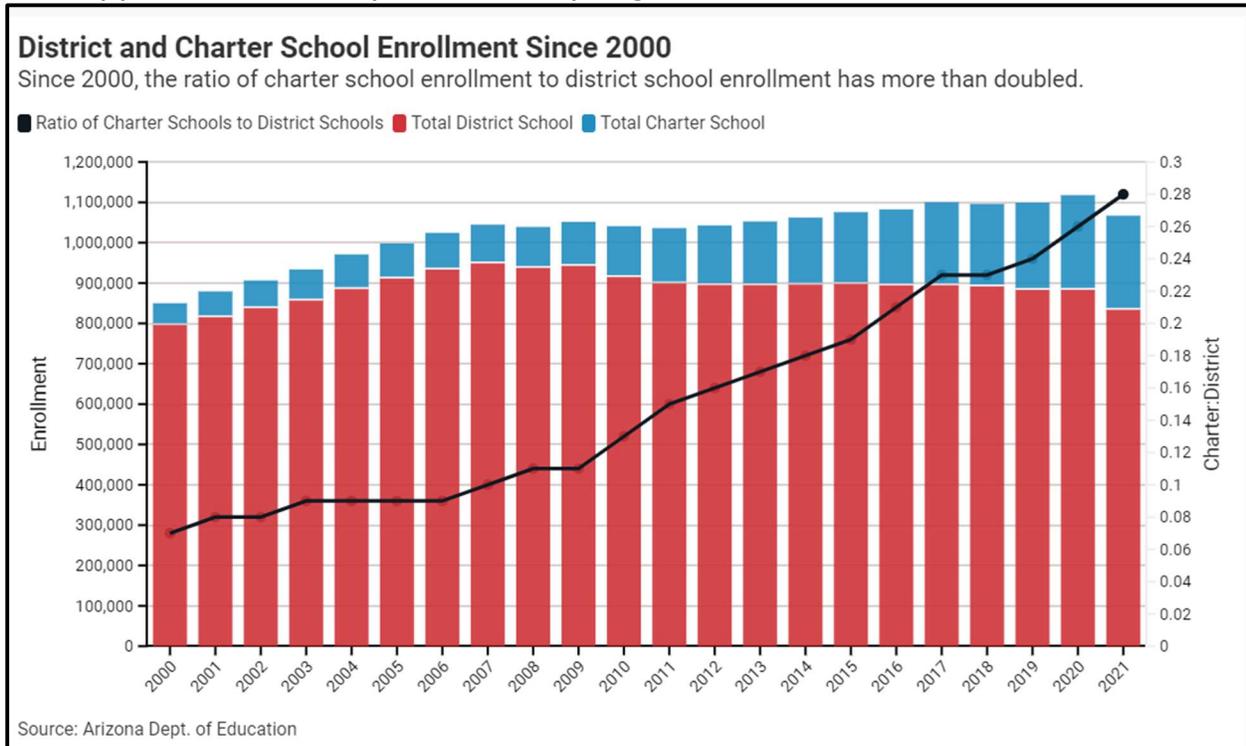


### Charter School Enrollment

When SFB was created and started funding maintenance projects and new school construction, student enrollment had been increasing and Arizona

was growing fast. In 2000, when this funding began, charter school enrollment only made up about 5% of total public-school enrollment in Arizona and district school enrollment was increasing by about 2% per year.

In the last 20 years, charter school enrollment increased to almost 20% of total public-school enrollment, and today district enrollment is *declining* while state Charter schools grow at an average 5% annually<sup>xi</sup>. Even more recently, other school choice options outside the District and Charter system also appear to have experienced rapid growth since 2020.



Arizona now has overbuilt districts because of this enrollment change. Not only has charter school enrollment increased, but district school enrollment has also been decreasing steadily since 2008. In fact, district enrollment dropped 6% from 2020 to 2021. This is in stark contrast to the growth district schools saw in the early 2000s when enrollment increased 16% between 2000 and 2007<sup>xii</sup>. That rapid-district-growth environment is when SFB was conceived and the funding formulas designed.

Because some districts have failed to attract students as other districts, public charter schools, private schools, and homeschooling have become more accessible with changes in education policy, there are now many vacant buildings owned by school districts that might be more efficiently used by charter schools or other school districts nearby. For example, based

on data provided to CSI by the SFB, in 2010 there were approximately 20 'vacant' district-owned buildings in Arizona; today there are 160<sup>xiii</sup>.

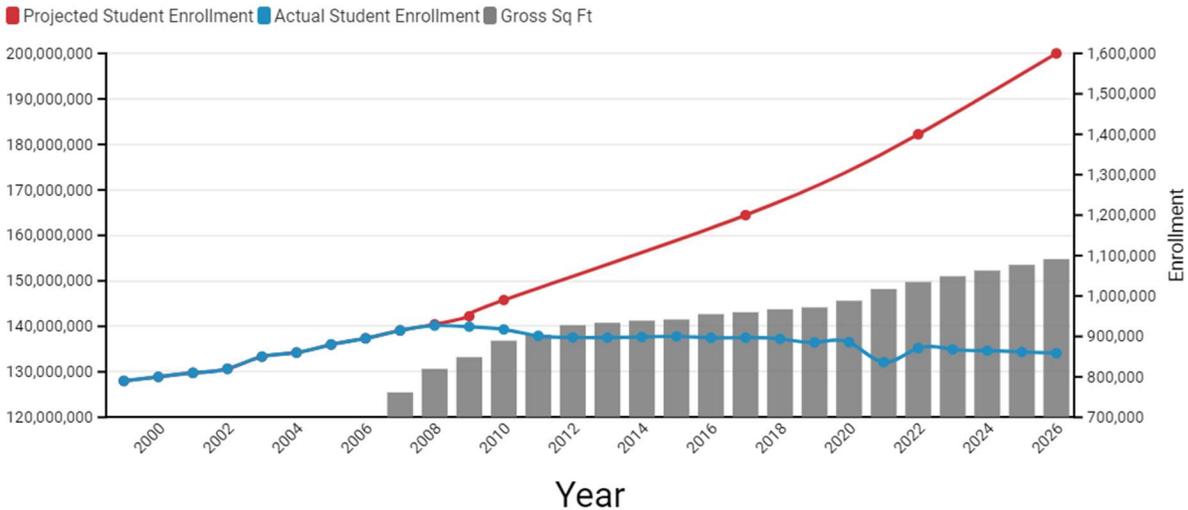
While SFB relies on district to report their vacant space and whether that space is suitable for charter schools, districts tend not to report their vacant space or whether a charter can use it. Instead of leaving buildings empty or holding space vacant, the State and SFB may need to consider how they can change these reporting requirements in order to allow charter or other non-district schools to use this space and better accommodate all students, rather than limiting its mission to adding district-space specifically.

### **Projected enrollment growth chart**

Another reason districts have been over built is because of the student growth projections made when determining how much capacity to build. When SFB was first created, they relied on student growth projections for the next two years provided in each school district's capital plan to determine whether a new school or additional space would be required. If a school district's capital plan indicated they would need more space in the next 4 years, then they would submit a request to SFB<sup>xiv</sup>. Due to the Great Recession, from fiscal year 2009 through fiscal year 2013, the Legislature placed a moratorium on all new school construction but allowed lease-to-purchase authority and land acquisition<sup>xv</sup>. During this time, any schools that qualified for new schools were held for consideration until the moratorium was lifted. During this economic downturn and during the recovery period the board was required to use the current year's enrollment instead of projections for the next two years in approving new school construction.

### Actual and Projected Enrollment Growth

In 2007, SFB projected enrollment to reach 1.4 million by 2022, but enrollment growth has been flat since 2008. If the current trend continues, enrollment will remain well below its 2008 peak. Over the same time, SFB has added space despite this decline.



Source: Arizona Auditor General, Arizona Dept of Education, CSI Projections

According to a 2007 Auditor General report, district enrollment was **projected to reach 1,400,000 students by 2022**. Enrollment peaked at less than 1,000,000 in 2008, and SFB had already funded the new construction needed to accommodate the projected growth in the next two to four years. **Now, however, district enrollment has fallen by 9.8% since its 2008 and square footage has grown by 13% over the same period.**

Indeed, between 1989 and 2006, Arizona averaged a 2.6% annual gain in student population <sup>xvi</sup>. During and after the Great Recession, though, student growth plateaued and more recently has even fallen. As of the 2022 school year, total public-school enrollment is back to 2010 levels; district enrollment stagnation (excluding charter growth) has been even more dramatic, with enrollment back to 2006 levels <sup>xvii</sup>.

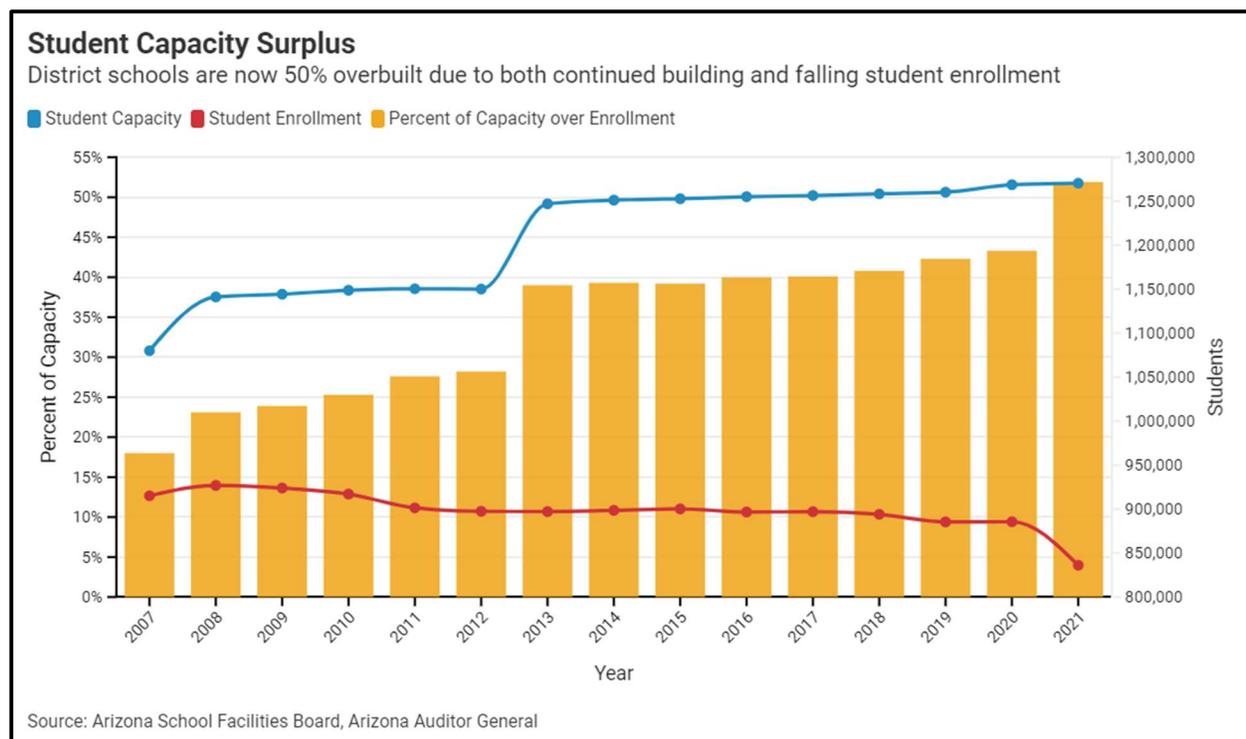
Despite the collapse in enrollment growth and the failure of historic projections to track actual enrollment reality, in 2019 the Legislature reverted the new school construction approval process back to a two-year projection basis<sup>xviii</sup>. Currently, SFB awards monies from the new school facilities fund if enrollment projections from the school districts indicate that additional space will be needed within the next four school years<sup>xix</sup>. While these projections are still subject to state Board approval to ensure that districts do not overestimate their capacity need as they have in the past, new school construction has accelerated since the change was enacted, even

as data to date suggests district enrollment has continued its slow decline. Between 1999 and 2006, SFB approved 41 buildings annually, and only 3 buildings annually between 2007 and 2018. Since the rule change in 2019, SFB has approved 5 buildings annually<sup>xx</sup>.

The problem SFB had to solve was making sure each district had sufficient space and funding to maintain buildings. Today, schools have plenty of space for their students and many receive enough capital funding to build new schools despite being overflowing in vacant space and unused capacity.

### Student Capacity Surplus

Each district is required to report the capacity of their schools and, while enrollment has dropped in the last several years, student capacity has continued to increase. **Across Arizona, there is capacity for 50% more students than are currently enrolled in district schools<sup>xxi</sup>.** In response



to rapidly growing excess system capacity, in 2019 the Legislature strengthened requirements that SFB annually compile the Vacant Space Report, intending to identify and catalogue an inventory of vacant and under-used school capital assets by district. However, reports to date – compiled based on the self-identification of vacant and under-utilized space by owning districts – suggest far fewer vacant and under-used assets than would be expected given the excess capacity figures. This could be due to

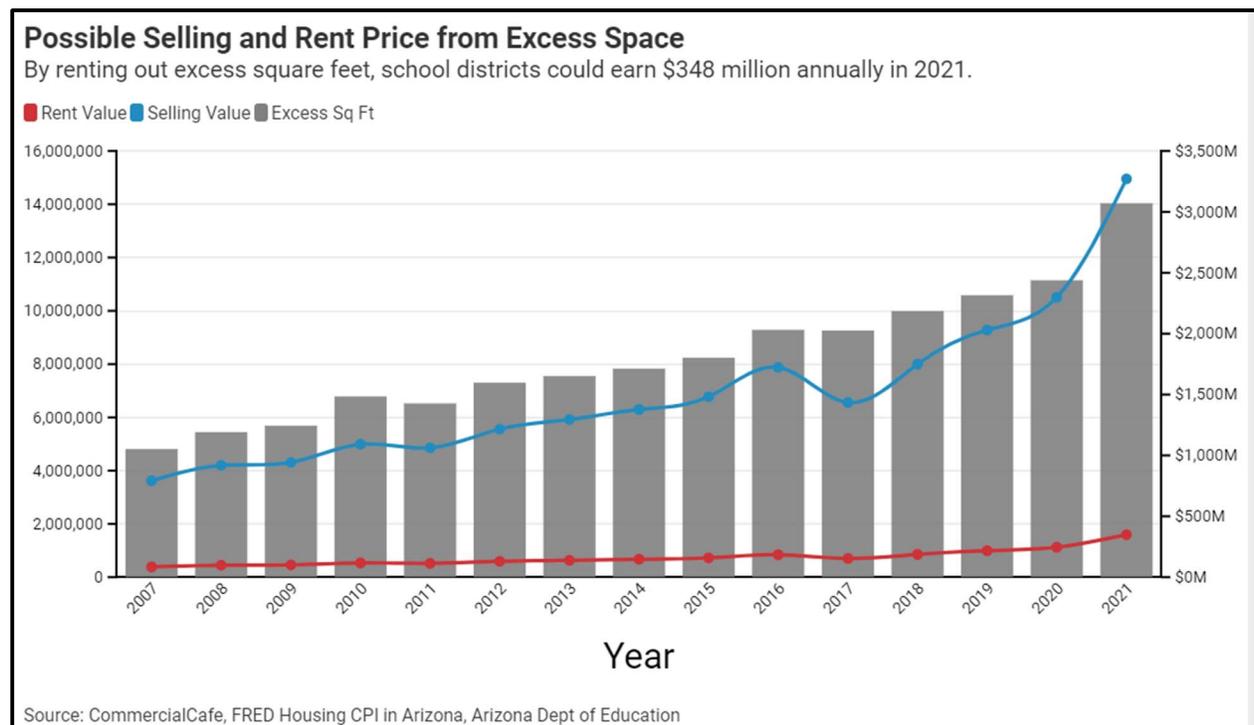
inaccurate vacant space reports, inconsistent project approvals, or overestimating future student enrollment.

State law requires 90 sq. ft. per K-6 student, 100 sq. ft. per 7-8 grade student and 134 sq. ft. for high school students, and by these metrics **every district** has at least some excess capacity. However, some districts are so overbuilt that some districts have over 1,000 square feet per student while others are providing just above the minimum required space, suggesting wide variance across districts in terms of space.

**CSI estimates the market value of this vacant and excess space to be \$3.3 billion.** This is estimated using the U.S. median square feet per student, 188 square feet for k-8 and 180 square feet for 9-12, and the price per square foot of commercial buildings in Arizona. Of course, some districts fell below the U.S. median, so \$3.3 billion only accounts for districts that have more square footage than the U.S. median<sup>xxii</sup>. This approach is more conservative than using SFB adequacy standards and is intended to address concerns with marketability of small, discontinuous, or similar spaces.

If 100 of the most overbuilt school districts sold their excess space for the commercial market rate of \$233.04 per square foot, they could raise close to \$3 billion, as much as SFB has spent since 2009<sup>xxiii</sup>.

If those same districts rented out their excess space at the commercial per-sq. ft. market rate of \$24.85, **they could raise \$348 million every year.**



Pursuant to A.R.S. 41-5741, the board is to provide a certain cost per square foot for the construction of new schools. The cost per square foot is \$270.24 for preschool children with disabilities, kindergarten programs and grades one through six, \$285.30 for grades seven and eight and \$330.30 for grades nine through twelve. Building the school space that now goes unused cost the School Facilities Board more than they would earn if they sold that land at the Arizona commercial market rate in 2022. However, school districts that want to deviate from SFB-approved and statutorily cost-limited construction plans can instead use secondary property tax levies to generate their own capital funds. This allows them to add more space (or more expensive space) than they would be allotted under the State-funded program, but is dependent on the ability and willingness of local district voters to support a new property tax.

Interestingly, at least some of the most oversubscribed districts are near districts at which SFB has authorized the construction of brand-new facilities. For example, Marana Unified School District in Pima County has at least 50,000 square feet of excess academic space while SFB is building a 50,000 square foot new school, also in Marana<sup>xxiv</sup>. According to the SFB Vacant Space Report, Marana has 11 vacant buildings and all of them are suitable for Charters<sup>xxv</sup>.

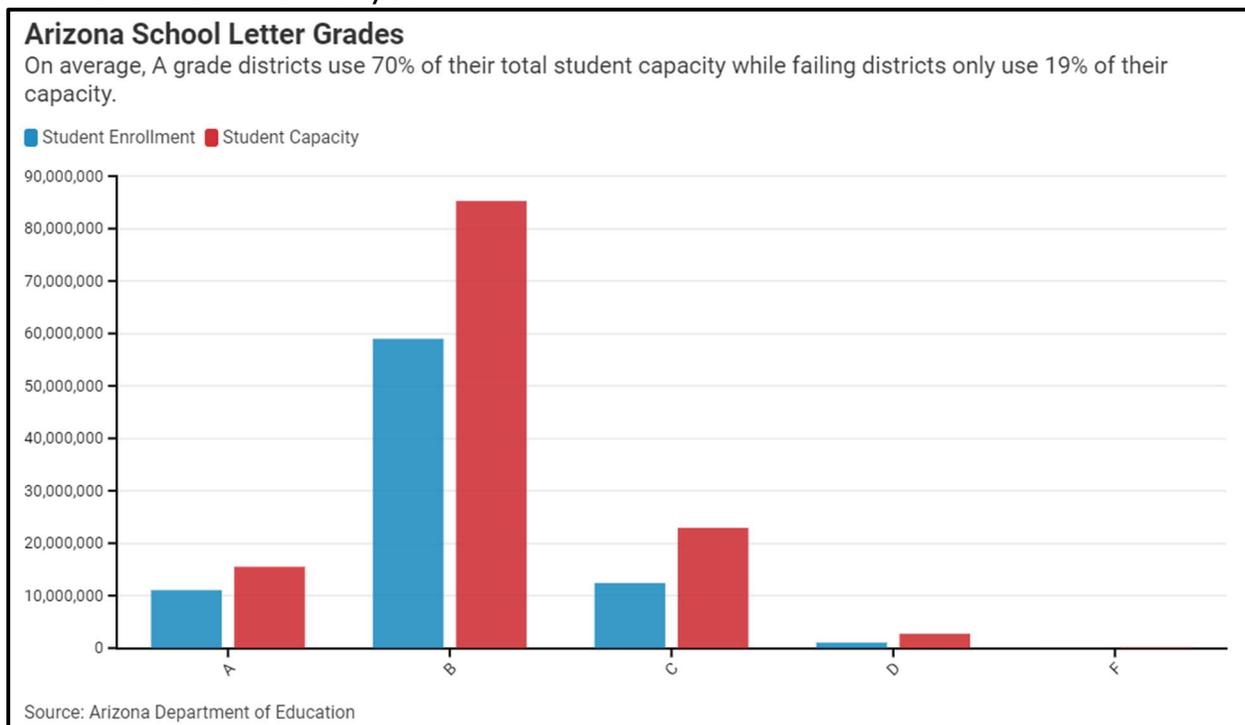
In another case, Sahuarita Unified School District was approved in December of 2020 for a new school that added capacity for 589 students, despite at the same time already having excess capacity for over 1,400 more students, as measured by total square footage and enrollment figures.

In 2021, only 32 districts increased student enrollment with Queen Creek again adding the most students at 994, but SFB approved new schools for 4 shrinking districts to add capacity for 500-1000 students. These new school building approvals come when many school districts lost thousands of students and vacated many buildings and classrooms. Some of this may be due to necessary replacement of aging facilities that no longer meet minimum adequacy guidelines, but in those cases some policy consideration should be given to what do with these assets that otherwise tend to remain a district holding in effective perpetuity.

SFB has been able to fund growing schools, but there is a lack of clarity in how to manage vacant spaces and use district reports in evaluating the needs for new buildings and building renewal. Without direction on what do to with vacant space and few options to consider in offloading excess space, more districts are tasked with maintaining vacant buildings.

## School Quality Affects Vacancy Rates

The Arizona Department of Education grades each school based on student academic growth, proficiency on English Language arts, math, and science. 41% of district enrolled students attend schools that received a B grade in the 2021-2022 school year.



Students and parents clearly utilize school performance when choosing where to enroll. Parents vote with their feet when district schools do not meet their needs, and high-performing schools using more of their space is a real time example of this. **Failing school districts on average only use 19% of their total student capacity while A and B grade schools use a striking 70% of their total student capacity.**

The idea behind correcting disparities and equalization formulas was to make sure students had access to equal educational opportunities across the state. Unfortunately, in many cases the acquisition of land and monopolization of buildings and facilities that could be used for K-12 education by local school districts has had the opposite effect: shut out competition and lock parents and students into options they would not necessarily prefer. For example, according to a report by the Arizona Center for Arizona Policy, Tucson Unified School District declined to sell a vacant and unused property to a private school – allegedly ultimately selling to a private developer and for a lower price. This year’s letter grades for schools have shown where school

districts could consolidate or share resources to better invest in quality education<sup>xxvi</sup>.

One district that illustrates what happens in a system that only contemplates adding space and projecting enrollment growth and does not consider declining enrollment is Tucson Unified School District. This district is among the 5 largest school districts in Arizona with around 40,000 students, but they have the capacity for twice that many students and 18 vacant buildings. Tucson holds 6.3% of total district school student capacity and only uses 50% of that capacity. Their enrollment has been dropping since 2006, and only 5 out of the 83 schools in this district received A letter grades in 2022.

For example, there are two schools with a similar level of excess capacity and student enrollment in Wellton, Arizona. However, one received a D grade, and the other received an A grade. On one hand, the A grade school, Wellton Elementary School District, could see an increase in student enrollment because of their school grade and thus need their excess capacity. On the other hand, Antelope Union High School District could see a decrease in their enrollment due to this grade and will have more vacant space on their hands. In Willcox, Arizona there is one small school with a B grade and enough excess capacity for 160 students. The other school district in the Willcox zip code has 3 schools that average to a C grade for the district but have enough excess capacity for 1,275 students. Miami Unified District received a D grade and has two completely vacant school buildings, which could be utilized by charters, privates, or other schools to improve the options available to district families. There are more and more circumstances like this each year that student enrollment decreases. Schools fail to meet academic standards, students leave for a better education, and districts are left with space that could be sold or rented.

Miami Unified District received a D grade and has two completely vacant school buildings, which could be utilized by charters, privates, or other schools to improve the options available to district families. There are more and more circumstances like this each year that student enrollment decreases. Schools fail to meet academic standards, students leave for a better education, and districts are left with space that could be sold or rented.

There is a lack of procedure when it comes to consolidating districts or shifting resources to where they might be better used. There are plenty of districts with excess space but poor grades, and other districts that are close to their capacity limit but have better grades. Clearly, Arizonans are using

their ability to choose high quality schools, and state and local capital funding needs to account for alternatives to solely funding district school facilities.

Arizona gave the School Facilities Board the discretion to fund and manage school capital, but vacant space reports, school letter grades, and capital finance reports show that this finance system has cost the state billions of dollars in excess space. Although SFB can collect this information on vacant spaces, their only job is to provide district schools with adequate facilities. Arizona and its policymakers can better shape legislation knowing where resources are not being used.

## Conclusion

Arizona is witnessing a shift in our education system, and our school capital finance system must be able to keep up with these changes. Between state and local capital funding, school districts have the dollars available to accommodate their students well. After losing many students to charter schools, districts have more resources, vacant spaces, and land available to effectively support their student populations.

While there may be some incentive to maintain the rights to vacant space and unused land, public district schools have the authority to sell or lease this space to charter schools or other parties in order to raise funds. However, this authority is rarely used as districts tend to keep excess space.

A House Bill passed in 2018 ensured that private schools were given an opportunity to bid on vacant district school property and prohibited school districts from withdrawing a property from sale or lease solely because the highest bidder was a charter or private school<sup>xxvii</sup>. This was a positive step towards free enterprise in school facilities, but many districts are still overbuilt and hold on to land that could serve other purposes.

District schools being overbuilt is not simply a result of post-pandemic enrollment declines. There are further demographic shifts that have happened since 2020 and education and student populations will continue to change, and understanding how to manage school facilities and vacant space in order to better serve students across the state will only benefit Arizonans.

In this report we have outlined multiple problems that SFB and school districts face when it comes to school facilities. Policymakers should consider who needs to take the lead in identifying vacant and underused spaces instead of relying on districts to self-report their own inventory. Further, along with this authority to identify vacant spaces, there should be a better

process to decide whether vacant spaces are suitable for charter schools or other uses based on specific objective criteria and again without relying on the discretion of the districts themselves. Lastly, to encourage the proper management of vacant space, the authority of the Board must extend beyond only *adding* new school space: they must, in the case of State-funded buildings and capital, also have the authority to decide when school space is no longer serving its intended purpose of educating Arizona’s children and require the district to sell, lease or otherwise dispose of the space. These reforms should help arrest the trend of schools systematically acquiring more land, space, and buildings over time.

---

<sup>i</sup> [“Zillow Home Value Index”](#). *Zillow Research*. January 24, 2023.

<sup>ii</sup> [“Roosevelt Elementary School District V. Bishop”](#). *Supreme Court of Arizona*. 1994.

<sup>iii</sup> [“Arizona State Senate Issue Brief: Students First”](#). *Arizona Senate Research Staff*. August 3, 2018.

<sup>iv</sup> Atkins, Lisa, [“Fiscal year 2022 Annual Report”](#). *Arizona State Land Department*. September 1, 2022.

<sup>v</sup> CSI estimated the amount of school district owned land by using county assessors’ data to find the amount of land owned by the 5 largest school districts in Arizona. These districts included: Mesa Unified, Chandler Unified, Peoria Unified, Gilbert Unified, and Paradise Valley Unified. CSI then assumed that the share of student population held by the 5 largest schools was proportional to the amount of land they owned. These shares were then used to estimate the total land owned by all school districts in Arizona.

<sup>vi</sup> According to 2021 ADM counts and student capacity reports from ADE, Chandler Unified School District has space for 4,163 more students, Gilbert Unified has space for 10,923 more students, Mesa Unified has space for 4,675 more students, Paradise Valley Unified has space for 13,866 more students, and Peoria Unified has space for 7,759 more students. Together they have enough space for 41,386 more students than they had in 2021.

<sup>vii</sup> Perry, Lindsey. [“Arizona School Facilities Board Performance Audit and Sunset Review”](#). *Arizona Auditor General*. September, 2021.

<sup>viii</sup> [“Arizona K-12 Funding & Enrollment Changes Since FY2019 Including After Universal ESA Expansion”](#). *Common Sense Institute Arizona*. January 11, 2023.

<sup>ix</sup> [“Annual Finance Report District Average Daily Membership 2006-2022”](#). *Arizona Department of Education*. Accessed January 24, 2023.

<sup>x</sup> [“K-12 Funding FY 2013 through FY 2022 est”](#). *Arizona Joint Legislative Budget Committee*. August 31, 2021.

<sup>xi</sup> [“Digest of Education Statistics Table 216.90”](#). *National Center for Education Statistics*. October 2021.

<sup>xii</sup> Molera, Jaime. [“Annual Report of the Arizona Superintendent of Public Instruction”](#). *Arizona Department of Education*. July 1, 2001  
Huppenthal, John, [“Annual Report of the Arizona Superintendent of Public Education”](#). *Arizona Department of Education*. December 19, 2011.

- 
- xiii [“Vacant Space Report”](#). *Arizona School Facilities Board*. February 10, 2022.
- xiv [“Arizona State Senate Issue Brief: Students First”](#). *Arizona Senate Research Staff*. August 3, 2018.
- xv [“Arizona State Senate Issue Brief: Students First”](#). *Arizona Senate Research Staff*. August 3, 2018.
- xvi [“Go West, Young Students: Arizona’s Growth since the 80’s”](#). *Arizona Charter Schools Association*. December 5, 2017.
- xvii [“Annual Finance Report District Average Daily Membership 2006-2022”](#). *Arizona Department of Education*. Accessed January 24, 2023.
- xviii [“Fact Sheet for H.B. 2749/S.B. 1551”](#). *Arizona Senate Research Staff*. June 4, 2019.
- xix [“New School Facilities Fund; Capital Plan; Reporting Requirements”](#). *Arizona Revised Statute 41-5741*. 2022.
- xx [“New Construction Approvals to Date”](#). *Arizona School Facilities Board*. 2022.
- xxi [“Annual Finance Report District Average Daily Membership 2006-2021”](#). *Arizona Department of Education*. Accessed January 24, 2023.
- xxii [“School Costs: Did You Know...”](#). *Spaces4Learning*. July 1, 2015.
- xxiii [“Phoenix Office Rent Price & Sales Report”](#). *Commercial Café*. 2021.
- xxiv [“Board Approved Projects”](#). *School Facilities Oversight Board*, 2021.
- xxv [“Vacant Space Report”](#). *Arizona School Facilities Board*. 2022.
- xxvi [“2021-2022 Final A-F School Letter Grades”](#). *Arizona State Board of Education*. 2022.
- xxvii [“School Sale Equity HB2460 Charter Schools; Vacant Buildings; Equipment”](#). *Center For Arizona Policy*. February 2018.