

## Capital Outlay

JLBC Analyst: Lorenzo Martinez/Tony Vidale

	FY 2005	
	General Fund	Other Funds
<b>BUILDING SYSTEM SUMMARY</b>		
Arizona Department of Administration		
Building Renewal	0	5,131,600
Individual Projects	0	4,055,000
SUBTOTAL - ADOA <sup>1/2/</sup>	0	9,186,600
Arizona Department of Transportation		
Building Renewal	0	2,780,900
Individual Projects	0	232,195,000
SUBTOTAL - ADOT	0	234,975,900
<b>TOTAL</b>	<b>0</b>	<b>244,162,500</b>
<b>BUILDING RENEWAL</b>		
Arizona Department of Administration Building System		
Arizona Department of Administration		
Capital Outlay Stabilization Fund <sup>3/4/</sup>	0	3,500,000
Arizona Exposition and State Fair		
Arizona Exposition and State Fair Fund	0	1,247,400
Game and Fish Department		
Game and Fish Fund	0	343,000
Arizona Lottery Commission		
State Lottery Fund	0	41,200
SUBTOTAL - ADOA Building System	0	5,131,600
Arizona Department of Transportation Building System		
Arizona Department of Transportation		
State Aviation Fund	0	65,900
State Highway Fund	0	2,715,000
SUBTOTAL - ADOT Building System	0	2,780,900
SUBTOTAL - Building Renewal <sup>5/</sup>	0	7,912,500
<b>INDIVIDUAL PAY-AS-YOU-GO PROJECTS</b>		
Arizona Department of Administration		
State Archives and History Building <sup>6/</sup>		
Public Buildings Land Earnings Fund	0	1,600,000
Records Services Fund	0	400,000
SUBTOTAL - Arizona Department of Administration	0	2,000,000
Game and Fish Department		
Statewide Preventative Maintenance		
Game and Fish Fund	0	30,000
Tonto Creek Hatchery Improvements		
Game and Fish Fund	0	200,000
Silver Creek Hatchery Improvements		
Game and Fish Capital Improvement Fund	0	80,000
Tri-State Shooting Range Development		
Game and Fish Capital Improvement Fund	0	300,000
Sierra Vista Shooting Range Improvement		
Game and Fish Capital Improvement Fund	0	55,000
Bellemont Shooting Range Development		
Game and Fish Capital Improvement Fund <sup>7/</sup>	0	800,000
Headquarters Paving		
Game and Fish Capital Improvement Fund	0	50,000
Shade Canopies		
Game and Fish Capital Improvement Fund	0	150,000
Mesa Office Security System		
Game and Fish Capital Improvement Fund	0	30,000
SUBTOTAL - Game and Fish	0	1,695,000

	<b>FY 2005</b>	
	<b>General Fund</b>	<b>Other Funds</b>
Department of Public Safety		
Remote Officer Housing		
Arizona Highway Patrol Fund	0	360,000
SUBTOTAL - DPS	0	360,000
Arizona Department of Transportation		
Airport Planning and Development <sup>8/</sup>		
State Aviation Fund	0	13,540,000
Highway Construction (includes debt service) <sup>9/10/</sup>		
State Highway Fund	0	218,155,000
Parker Relocation		
State Highway Fund	0	500,000
SUBTOTAL - ADOT	0	232,195,000
SUBTOTAL - Individual Pay-As-You-Go Projects	0	236,250,000
<b>INDIVIDUAL DEBT-FINANCED PROJECTS</b>		
School Facilities Board		
Deficiencies Correction <sup>11/</sup>	0	0
New School Construction <sup>12/</sup>	0	0
Department of Veterans' Services		
Veterans' Home Facility <sup>13/</sup>	0	0
SUBTOTAL - Individual Debt-Financed Projects	0	0
<b>TOTAL</b> <sup>14/15/16/</sup>	<b>0</b>	<b>244,162,500</b>

#### **FUND SOURCES**

General Fund	0	0
<u>Other Appropriated Funds</u>		
State Aviation Fund	0	13,605,900
Capital Outlay Stabilization Fund	0	3,500,000
Arizona Exposition and State Fair Fund	0	1,247,400
Game and Fish Fund	0	573,000
Game and Fish Capital Improvement Fund	0	1,465,000
State Highway Fund	0	221,370,000
Arizona Highway Patrol Fund	0	360,000
State Lottery Fund	0	41,200
Public Buildings Land Earnings Fund		1,600,000
Records Services Fund	0	400,000
SUBTOTAL - Other Appropriated Funds	0	244,162,500
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>244,162,500</b>

<sup>1/</sup> The ADOA shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)

<sup>2/</sup> The ADOA may allocate FTE Positions authorized for specific projects to other projects in this act provided that funding for the FTE Positions is cost allocated among the projects receiving benefit. The ADOA shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2004. (Capital Outlay Appropriation Act footnote)

<sup>3/</sup> The ADOA shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund (COSF) are insufficient to fund the appropriation to the ADOA for building renewal, the appropriation to the ADOA shall be reduced by the difference between the amount appropriated to the ADOA from COSF and the balance in COSF. (Capital Outlay Appropriation Act footnote)

<sup>4/</sup> Of the \$3,500,000 appropriated in FY 2005 from COSF to ADOA for building renewal, the amount of \$170,000 shall be allocated for the State Treasurer's Office tenant improvements. (Capital Outlay Appropriation Act footnote)

<sup>5/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2005 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Twenty-five per cent or less of the monies may be spent for state building modifications to comply with the federal Americans With Disabilities Act (42 United States Code sections 12101 through 12213 and 47 United States Code sections 225 and 611) or for major maintenance and repair activities for state infrastructure. The monies may only be used for facilities on the state building inventory or for infrastructure that directly supports those facilities. Of the amounts appropriated to the ADOA, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2005 that are unexpended or unencumbered on September 30, 2006 shall revert to the fund from which they were appropriated. (Capital Outlay Appropriation Act footnote)

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**DESCRIPTION** — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, or enhance the state's capital stock which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other facilities which support the missions of the various state agencies. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

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Unless otherwise specified, funding for capital projects was appropriated by Laws 2004, Chapter 276 (FY 2005 Capital Outlay Bill).

**Building Renewal** — Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review (JCCR). The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by the Arizona Department of Administration (ADOA) or individual agencies within the ADOA Building System that have their own funding source for building renewal, the Arizona Department of Transportation (ADOT), and the Arizona Board of Regents (ABOR) for their respective building systems.

The approved amounts represent 100% funding of the Building Renewal Formula, except the appropriation to ADOA from the Capital Outlay Stabilization Fund (COSF) of \$3,500,000, which represents 18% of the formula, and the appropriations to ADOT of \$2,715,000 from the State Highway Fund and \$65,900 from the State Aviation Fund, which represent 85% of the formula. The ABOR Building

System did not receive a Building Renewal appropriation in FY 2005.

**Individual Pay-As-You-Go Projects** — Capital appropriations may be made to the agency that administers the building system (ADOA, ADOT, or ABOR) on behalf of an agency or directly to an agency within a building system.

#### Arizona Department of Administration

##### **State Archives and History Building**

Laws 2004, Chapter 194 appropriates \$1,600,000 from the Public Buildings Land Earnings Fund and \$400,000 from the Records Services Fund to the Arizona Department of Administration for design and site preparation for a new state archives and history building. The legislation allows up to \$115,500 for 2 FTE Positions to oversee and manage the project.

#### Game and Fish Department

##### **Statewide Preventative Maintenance**

The budget provides \$30,000 from the Game and Fish Fund for preventative maintenance activities throughout Game and Fish facilities.

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6/ Appropriated by Laws 2004, Chapter 194.

7/ The \$800,000 appropriated for continued development of the Bellemont Shooting Range shall revert to the Game and Fish Capital Improvement Fund if pending legislation is not resolved in the state's favor. (Capital Outlay Appropriation Act footnote)

8/ The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriations Act and in this act are appropriated to ADOT for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)

9/ The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriations Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)

10/ Before the expenditure of any monies for Professional and Outside Services, including contracted field administration and field engineering, ADOT shall submit information on Professional and Outside Services funded from the capital budget to the Joint Committee on Capital Review by July 1, 2004 for review. The submitted information shall contain at least as much detail for Professional and Outside Services as the department's annual operating budget. (Capital Outlay Appropriation Act footnote)

11/ Laws 2004, Chapter 274 (School Facilities Board Budget Reconciliation) authorized the issuance of \$25,000,000 in revenue bonds in FY 2005 to finance Deficiencies Correction. First debt payment will not occur until FY 2006.

12/ Laws 2004, Chapter 274 (School Facilities Board Budget Reconciliation) authorized the issuance of \$250,000,000 in Certificates of Participation in FY 2005 to finance new school construction. First debt payment will not occur until FY 2006.

13/ Laws 2004, Chapter 203 authorized the Department of Veterans' Services to enter into a privatized lease-to-own agreement for a veterans' home facility in southern Arizona.

14/ Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)

15/ Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)

16/ Unless otherwise specified, funding for capital projects was appropriated by Laws 2004, Chapter 276 (FY 2005 Capital Outlay Bill).

**Tonto Creek Hatchery Improvements**

The budget provides \$200,000 from the Game and Fish Fund for improvements at the hatchery.

**Silver Creek Hatchery Improvements**

The budget provides \$80,000 from the Game and Fish Capital Improvement Fund for the department to install fencing to keep wildlife out and to pave existing roadways. Completing the paving will require an additional \$70,000 in future years.

**Tri-State Shooting Range Development**

The budget provides \$300,000 from the Game and Fish Capital Improvement Fund to complete initial development of a shooting range in the Lake Havasu area. This project received a \$300,000 appropriation in FY 2004 to begin development. The project will include fencing, roads, utilities and 5 shooting areas.

**Sierra Vista Shooting Range Improvement**

The budget provides \$55,000 from the Game and Fish Capital Improvement Fund for the department to replace a restroom building with an Americans with Disabilities Act compliant facility, and to replace a generator with a solar power system.

**Bellemont Shooting Range Development**

The budget provides \$800,000 from the Game and Fish Capital Improvement Fund for continued development of a multi-purpose shooting range.

**Headquarters Paving**

The budget provides \$50,000 from the Game and Fish Capital Improvement Fund to pave parking areas at the Deer Valley headquarters.

**Shade Canopies**

The budget provides \$150,000 from the Game and Fish Capital Improvement Fund for equipment and parking shade canopies at regional offices.

**Mesa Office Security System**

The budget provides \$30,000 from the Game and Fish Capital Improvement Fund to install a perimeter security system around the parking/storage area.

Department of Public Safety**Remote Officer Housing**

The budget provides \$360,000 from the Arizona Highway Patrol Fund to replace 3 housing trailers in Ajo.

Arizona Department of Transportation**Airport Planning and Development**

The budget provides \$13,540,000 from the State Aviation Fund for planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in

excess of the specific amounts appropriated in the General Appropriation Act and the Capital Outlay Bill are appropriated to the department for airport planning and development. A footnote in the Capital Outlay Bill appropriates any additional monies in the State Aviation Fund above the appropriations to ADOT for airport planning and development. (See Footnote 7)

**Highway Construction**

The budget provides \$218,155,000 from the State Highway Fund for highway construction and debt service on bonds. A revised estimate of \$288,130,000 will actually be available for highway construction and debt service, however. A footnote in the Capital Outlay Bill appropriates any additional monies in the State Highway Fund above the appropriations to ADOT for highway construction. (See Footnote 8)

The JLBC Staff now estimates that \$288,130,000 will be available for highway construction and debt service. The estimated funding level has changed as the original amount did not include HURF distributions related to the transfer of \$118,000,000 from the state share of vehicle license tax collections to the General Fund, the beginning balance in the discretionary State Highway Fund, reimbursements to the construction operating budget, or revised amounts for controlled access and debt service requirements. (See the HURF Distribution Table 3 below)

The following table shows the allocation of the original and revised amounts related to highway construction.

<b>FY 2005 Highway Construction &amp; Debt Service</b>		
	<u>Original</u>	<u>Revised</u>
Highway Construction	\$ 51,161.0	\$156,646.0
Controlled Access	88,131.0	70,097.0
Debt Service	<u>78,863.0</u>	<u>61,387.0</u>
Total	\$218,155.0	\$288,130.0

Expenditure of highway construction funding is determined by the 5-year plan developed by the State Transportation Board. Controlled Access funding is dedicated to urban highway construction. The Maricopa Association of Governments receives 75% and the Pima County Association of Governments receives 25%. Debt Service funding represents the appropriated portion of debt service on bonds.

**Total Highway Construction Funding**

Only a small portion of the state's total highway construction funding is appropriated. Highway Construction, Controlled Access, and Debt Service discussed above, represent the appropriated portion of highway construction funding. The State Transportation Board 5-Year Highway Construction Program includes monies from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, State Highway Fund for controlled access roads, and bond revenues.

As approved by the State Transportation Board on June 18, 2004, the highway construction program totals \$1,299,516,000 for FY 2005, including \$898,403,000 for construction and maintenance projects scheduled to begin in FY 2005, and \$401,113,000 for debt service. For details please see *Table 1*:

	<b>FY 2005</b>
Construction	\$400,285,000
Urban Controlled Access <sup>1/</sup>	275,235,000
Pavement Preservation Maintenance	99,239,000
Other <sup>2/</sup>	123,644,000
Debt Service <sup>3/</sup>	401,113,000
<b>Total</b>	<b>\$1,299,516,000</b>

<sup>1/</sup> Includes expenditures from the Highway User Revenue Fund for controlled access and from the Maricopa Regional Area Road Fund.  
<sup>2/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.  
<sup>3/</sup> Information provided by the department. Includes \$61,387,000 in FY 2005 for State Highway Fund statewide construction bonds; \$49,996,000 for Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds; \$222,943,000 for Maricopa Regional Area Road Fund Bonds; and \$66,787,000 for Grant Anticipation Notes.

*Table 2* summarizes the estimated revenues and expenditures for FY 2005, on a cash flow basis as provided by the department. The previous table, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2005.

	<b>FY 2005</b>
<b>Balance Forward</b> <sup>1/</sup>	<b>\$471,181,000</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction <sup>2/</sup>	\$218,033,000
Appropriated Controlled Access Highways (MAG&PAG) <sup>2/</sup>	70,097,000
½ Cent Sales Tax	305,000,000
Federal Aid	405,882,000
Miscellaneous Income/Expenses <sup>3/</sup>	19,416,000
Grant Anticipation Note Proceeds (GANS)	70,136,000
HURF Bond Proceeds <sup>4/</sup>	175,000,000
Highway Expansion & Extension Loan <sup>5/</sup>	21,505,000
Subtotal – Revenues	<u>1,285,069,000</u>
<b>Total Funds Available for Construction</b>	<b>\$1,756,250,000</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	61,387,000
Other Debt Service (All Other)	339,726,000
Subtotal - Debt Service	<u>401,113,000</u>
<b>Planned Construction Expenditures</b>	
Statewide Highway Construction (including PAG)	627,000,000
Controlled Access Highways (MAG)	366,060,000
Subtotal - Construction Expenditures	<u>993,060,000</u>
<b>Total Planned Expenditures</b>	<b>\$1,394,173,000</b>
<b>Balance Forward</b>	<b>\$362,077,000</b>

<sup>1/</sup> Includes unexpended bond proceeds for bonds issued in prior years.  
<sup>2/</sup> The budget provides a total of \$218,155,000 for those items. A revised estimate of \$288,130,000 will actually be available. Please see Highway Construction section for more information.  
<sup>3/</sup> Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.  
<sup>4/</sup> Bond proceeds reflect a cash expenditure basis.  
<sup>5/</sup> Includes revenue of \$67,271,000 for new HELP loans and expenditures of \$45,766,000 for ADOT debt service on HELP loans.

### Highway User Revenue Fund Analysis

The Highway User Revenue Fund (HURF) consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, and others. HURF is the primary source of monies for the department's operating budget. The last line of *Table 3*, which shows Net State Highway Fund Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, Carryover Funds, and Miscellaneous Funds available for construction. The last line represents the amount that is available from the State Highway Fund to fund the State Transportation Board's 5-Year Plan.

Table 3

**Highway User Revenue Fund (HURF) Distribution**

	\$ in Thousands		
	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate
<b>Total HURF Collections</b>	1,110,756	1,149,900	1,200,500
Less: Economic Strength Fund <sup>1/</sup>	500	1,000	1,000
ADOT - MVD Operating Budget	648	383	419
Dept of Public Safety Transfer from HURF	54,416	48,698	52,216
<b>Net HURF Collections</b>	1,055,192	1,099,819	1,146,865
Less: Cities <sup>2/</sup>	321,799	335,445	349,794
Counties <sup>2/</sup>	200,465	208,966	217,904
Controlled Access <sup>3/</sup>	80,988	84,422	70,097
Vehicle License Tax Transfer to General Fund <sup>4/</sup>	0	0	118,000
<b>Net State Highway Fund (Discretionary)</b>	451,940	470,986	391,070
Plus: State Highway Fund Beginning Balance	190,000	136,000	160,000
Construction Operating Budget Reimbursements <sup>5/</sup>	0	45,669	46,790
Other Income <sup>6/</sup>	13,849 <sup>7/</sup>	14,000	14,400
Less: Operating Budget	262,712	329,914 <sup>8/</sup>	348,262
Operating Carryovers, Adjustments and Transfer <sup>9/</sup>	9,408	2,090	5
Capital Outlay and Building Renewal	3,816	1,561	3,215
Capital Non-Lapsing Carryovers	0	5,580	0
Motor Vehicle Third Party Payments <sup>10/</sup>	8,154	9,409	10,065
Dept of Public Safety Transfer from Highway Fund	28,267	30,151	32,680
General Fund Transfer from Highway Fund <sup>11/</sup>	10,000	0	0
Debt Service <sup>12/</sup>	38,911	54,094	61,387
<b>Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) <sup>13/</sup></b>	294,521	233,856	156,646 <sup>14/</sup>

<sup>1/</sup> Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board. Laws 2002, Chapter 22, reduces HURF collections by \$(500,000) in FY 2003, by appropriating \$500,000 of vehicle license tax revenue to ADOT for grants for certain small community air service and airport upgrades, before the vehicle license tax revenue is distributed to HURF. Chapter 22 also reduces the distribution from HURF to the Economic Strength Fund by \$(500,000) in FY 2003.

<sup>2/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>3/</sup> A statutorily defined distribution of State Highway Fund monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

<sup>4/</sup> Laws 2004, Chapter 282 transfers the first \$118,000,000 of vehicle license tax received in FY 2005 for distribution to the State Highway Fund to the General Fund.

<sup>5/</sup> Construction operating budget monies reimbursed from federal funds, Maricopa Regional Area Road Fund, and bond monies.

<sup>6/</sup> Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income.

<sup>7/</sup> Includes a \$(650,000) decrease of State Highway Fund monies distributed from vehicle license tax revenue, per Laws 2002, Chapter 328. Chapter 328 appropriates the \$650,000 to ADOT to buy 78 miles of railroad corridor from west Phoenix to Wellton, Arizona.

<sup>8/</sup> Beginning in FY 2004, includes the Arizona Department of Transportation's construction operating budget, which was previously included in the department's capital budget.

<sup>9/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>10/</sup> Statutory payments to third parties from vehicle license taxes collected by third parties.

<sup>11/</sup> Appropriated from the State Highway Fund to reimburse the General Fund for highway patrol expenditures in FY 2001, by Laws 2003, 1st Special Session, Chapter 2.

<sup>12/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>13/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal carryover, and miscellaneous funds available for construction.

<sup>14/</sup> Differs from the JLBC recommendation due to the transfer of \$118,000,000 of vehicle license tax collections from the State Highway Fund to the General Fund, a revised debt service amount, and the additions of the beginning discretionary State Highway Fund balance and construction operating budget reimbursements. Including the discretionary State Highway Fund balance and construction operating budget reimbursements gives a more complete picture of the ongoing amount of State Highway Fund monies available for highway construction.

**Percentage Distribution of HURF Monies**

Cities	30.5%
Counties	19.0%
Controlled Access <sup>1/</sup>	7.676%
State Highway Fund <sup>1/</sup>	<u>42.824%</u>
<b>Total</b>	<b>100.0%</b>

<sup>1/</sup> A.R.S. § 28-6538 distributes 50.5% of HURF monies to the State Highway Fund, with 12.6% of the monies distributed to the State Highway Fund being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of State Highway Fund monies set aside for controlled access highways (50.5% of 15.2% = 7.676%). The controlled access monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

**Individual Debt-Financed Projects** — Agencies may be authorized to enter into long-term financing for capital projects through the Capital Outlay Bill or through separate legislation.

School Facilities Board

**Deficiencies Correction**

The School Facilities Board Budget Reconciliation Bill (Laws 2004, Chapter 274) authorizes the School Facilities Board (SFB) to issue \$25,000,000 in revenue bonds to finance remaining deficiencies correction projects. The initial debt service for the bonds will not occur until FY 2006. Debt service is appropriated in the SFB operating budget.

If bonds have not been issued and state revenues exceed FY 2004 and FY 2005 revenue forecasts by \$74,000,000, the General Appropriation Act (Laws 2004, Chapter 275) would eliminate the bonding and appropriate \$25,000,000 from the General Fund to SFB for remaining deficiencies correction projects.

**New School Construction**

The School Facilities Board Budget Reconciliation Bill (Laws 2004, Chapter 274) authorizes SFB to enter into \$250,000,000 of lease-purchase agreements to finance new schools. The initial debt service for these agreements will not occur until FY 2006. Debt service is appropriated in the SFB operating budget.

Department of Veterans' Services

**Veterans' Home Facility**

Laws 2004, Chapter 203 authorizes the Department of Veterans' Services to enter into a privatized lease to own agreement with a private entity for construction, occupancy and ownership by this state of a veterans' home facility to be located in southern Arizona.

Long-Term Financing Summary

**Lease-Purchase Facilities**

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA, the Arizona Health Care Cost Containment System, the Industrial Commission, and the universities have entered into lease-purchase agreements for the acquisition and construction of state facilities. *Table 4* provides information related to current state lease-purchase and bonding agreements.

**Bonding**

The Arizona Board of Regents (ABOR), on behalf of the universities, the Arizona Department of Transportation (ADOT), and the School Facilities Board (SFB) have issued bonds to renovate, acquire and construct facilities, as well as purchase equipment. SFB has also issued Qualified Zone Academy Bonds (QZABs). The QZAB program, enacted through federal legislation, allows state and local agencies to issue QZABs at low interest rates by

providing federal tax credits to bond holders. *Table 4* provides information related to current bond issuances.

<b>Table 4</b>	<b>Lease-Purchase Summary</b>	
	<b>Outstanding Balance<sup>1/</sup></b>	<b>FY 2005 Payment</b>
<u>ADOA Building System</u>		
<b>1993B Issuance:</b>	18,265,000	2,536,500
Records Management		
Library for the Blind		
ASDB Projects		
1616 West Adams		
Tonto Natural Bridge		
<b>2001A/B Issuance/Refinance:</b>	55,225,000	9,136,700
Prisons/ENSCO		
Revenue Building		
DES Homes		
Capital Center		
<b>2002A Issuance:</b>	30,000,000	2,318,100
Health Laboratory		
<b>2002B Issuance/Refinance:</b>	57,680,000	7,726,700
16th Ave. Parking		
Courts Building		
Historical Museum		
ASDB Food Service		
DES West		
Tucson Building		
<b>Other:</b>		
AHCCCS Buildings	3,315,100	1,656,100
Industrial Commission	4,600,000	1,500,000
Subtotal- ADOA	\$169,085,100	\$24,874,100
<u>School Facilities Board</u>		
New School Construction	614,500,000 <sup>2/</sup>	44,460,900
<u>ABOR Building System</u>		
Arizona State University	269,983,000	28,605,000
Northern Arizona University	2,753,000	476,000
University of Arizona	225,610,000	23,527,000
Subtotal- ABOR	498,346,000 <sup>3/</sup>	52,608,000
TOTAL- Lease-Purchase	\$1,281,931,100	\$121,943,000
<b>Bonding Summary</b>		
	<b>Outstanding Balance<sup>1/</sup></b>	<b>FY 2005 Payment</b>
<u>School Facilities Board</u>		
Deficiencies Correction:		
Proposition 301	750,685,000	64,535,800
QZABs-Proposition 301	6,350,000	1,278,900
State Land Trust – FY 2004	247,135,000	23,753,900
QZABs – State Land Trust	20,000,000	70,000
Subtotal- SFB	\$1,024,170,000 <sup>4/</sup>	\$89,638,600
Department of Transportation	1,443,845,000	151,910,900
<u>ABOR Building System</u>		
Arizona State University	138,830,000	14,333,000
Northern Arizona University	101,645,000	13,647,000
University of Arizona	304,856,200	22,547,000
Subtotal- ABOR	\$545,331,200	\$50,527,000
TOTAL- Bonding	\$3,013,346,200	\$292,076,500
<b>TOTAL</b>	<b>\$4,295,277,300<sup>5/</sup></b>	<b>\$414,019,500</b>

<sup>1/</sup> As of June 30, 2003, unless otherwise indicated.

<sup>2/</sup> Includes \$372,730,000 issued in FY 2003 and 2 separate issuances of \$194,610,000 and \$47,160,000 in FY 2004. The board also has authority to issue \$250,000,000 in FY 2005.

<sup>3/</sup> Does not include approximately \$440,000,000 authorized for university research infrastructure lease-purchase projects.

<sup>4/</sup> As of October 2003. Laws 2004, Chapter 274 authorizes the issuance of \$25,000,000 in State Trust Land revenue bonds in FY 2005 for deficiencies correction. See prior SFB discussion for more details.

<sup>5/</sup> Does not include \$300,000,000 authorized for Phoenix Civic Plaza Expansion or \$31,965,000 authorized for Prison Expansions.

**Privatized Lease-to-Own Facilities**

Under a privatized lease-to-own agreement, a private entity finances and constructs a building and leases it to the state. At the end of the lease term, the state takes possession of the building.

ADOA has entered into privatized lease-to-own (PLTO) agreements with private entities for 3 office buildings on the Capitol Mall. The 3 buildings will house ADOA, the Department of Environmental Quality and the Department of Health Services. Laws 2004, Chapter 203, authorizes the Department of Veterans' Services to enter into a privatized lease-to-own agreement for a southern Arizona veterans' home facility. *Table 5* provides information on current lease-to-own agreements.

<b>Table 5</b>	<b>Privatized Lease to Own Summary</b>	
	<b>Original Issue</b>	<b>FY 2005 Payment</b>
Department of Environmental Quality	NA	\$4,916,300
Department of Administration	NA	2,879,100
Department of Health Services	NA	2,481,400
Department of Veterans' Services	NA	NA
Total	NA	\$10,276,800