

# Capital Outlay

## Summary

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DESCRIPTION	FY 2006 JLBC
<b>BUILDING RENEWAL</b>	
ADOA Building System	5,223,300
ADOT Building System	3,702,900
<b>SUBTOTAL</b>	<b>8,926,200</b>
<b>NEW PROJECTS</b>	
ADOA Building System	706,900
ADOT Building System	425,824,000
<b>SUBTOTAL</b>	<b>426,530,900</b>
<b>TOTALS</b>	
ADOA Building System	5,930,200
ADOT Building System	429,526,900
<b>TOTAL - ALL PROJECTS</b>	<b>435,457,100</b>

## FUND SOURCES

### Other Appropriated Funds

Capital Outlay Stabilization Fund	3,400,000
Arizona Exposition and State Fair Fund	1,386,800
State Lottery Fund	124,500
Game and Fish Fund	418,900
Game and Fish Capital Improvement Fund	500,000
Waterfowl Conservation Fund	100,000
State Aviation Fund	17,031,800
State Highway Fund	412,495,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>435,457,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>435,457,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>435,457,100</b>

**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.

**JLBC Recommendations** – The following amounts are one-time appropriations.

**FY 2006**

**Capital Outlay** **OF** **\$435,457,100**

The Capital Outlay recommendation consists of 3 main categories: 1) Building Renewal 2) Advance Appropriations and 3) New Projects.

The JLBC recommends total funding of \$8,926,200 from Other Funds for Building Renewal in FY 2006. This amount includes:

Arizona Department of Administration	
Capital Outlay Stabilization Fund @ 15%	\$3,400,000
Exposition and State Fair Fund @ 100%	1,386,800
Game and Fish Fund @ 100%	388,900
State Lottery Fund @ 100%	47,600
<b>Subtotal – ADOA</b>	<b>\$5,223,300</b>
Arizona Department of Transportation	
State Highway Fund @ 100%	\$3,627,100
State Aviation Fund @ 100%	75,800
<b>Subtotal – ADOT</b>	<b>\$3,702,900</b>

*(See the individual building systems write-ups for more information.)*

The JLBC recommends total funding of \$426,530,900 from Other Funds for new capital projects in FY 2006. This amount includes \$76,900 from the State Lottery Fund for Lottery projects and \$630,000 from Game and Fish Department funds for Game and Fish Department projects within the ADOA Building System. The amount also includes \$408,868,000 from the State Highway Fund and \$16,956,000 from the State Aviation Fund for the ADOT Building System. (See the individual building systems write-ups for more information.)

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### 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.

The School Facilities Board has also entered into lease-purchase agreements for the construction of new schools. The state has also committed to participating in repayment of \$300,000,000 for the expansion of the Phoenix Civic Plaza. The City of Phoenix issued \$600,000,000 in COPs in FY 2005. The state is not required to begin repayment of its share of \$300,000,000 until the project is completed in 2009.

Table 1 provides information related to current state lease-purchase agreements.

### Bonding Summary

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. SFB issued \$20,000,000 in QZABs in FY 2003. The debt service on QZABs is paid from Permanent State School Fund revenues.

Table 1 also shows the original bond issuance and the payment for FY 2006 for current bond issuances.

Table 1	Lease-Purchase Summary	
	Balance <sup>1/</sup>	FY 2006 Pymt
<u>ADOA Building System</u>		
<b>2001A/B Issuance/Refinance:</b>		
Prisons/ENSCO	28,313,900	5,314,400
Revenue Building	10,899,300	2,045,700
DES Homes	1,393,000	261,500
Capital Center	8,118,900	1,523,900
Subtotal	48,725,100	9,145,500
<b>2002A Issuance:</b>		
Health Laboratory	28,430,000	2,317,800
<b>2002B Issuance/Refinance:</b>		
16th Ave. Parking	2,714,200	420,800
Courts Building	24,238,400	3,748,300
Historical Museum	8,919,500	1,379,700
ASDB Food Service	2,679,300	414,300
DES West	21,374,800	3,304,300
Tucson Building	15,368,800	2,376,300
Subtotal	75,295,000	11,643,700
<b>2004A Issuance/Refinance:</b>		
Records Management	1,341,400	184,600
Library for the Blind	557,700	103,000
ASDB Projects	8,877,500	1,238,100
1616 West Adams	3,295,800	625,900
Tonto Natural Bridge	2,652,700	367,300
Subtotal	16,725,100	2,518,900
<b>2004B Issuance</b>		
DOC Prison Expansions	31,965,000	3,193,800
<b>Other:</b>		
AHCCCS Buildings	1,843,600 <sup>2/</sup>	135,800
Industrial Commission	4,600,000	3,100,000
Subtotal- ADOA	207,583,800	32,055,500
<u>School Facilities Board</u>		
New School Construction	614,500,000 <sup>3/</sup>	72,945,200
<u>ABOR Building System</u>		
Arizona State University	179,003,000	15,581,000
Northern Arizona University	2,395,000	430,000
University of Arizona	760,054,000	57,812,000
Subtotal- ABOR	941,452,000 <sup>4/</sup>	73,823,000
Phoenix Civic Plaza Expansion	0 <sup>5/</sup>	0
TOTAL- Lease-Purchase	1,763,535,800	178,823,700
<b>Bonding Summary</b>		
	Balance <sup>1/</sup>	FY 2006 Pymt
<u>School Facilities Board</u>		
Deficiencies Correction:		
Proposition 301	698,390,000	64,526,100
QZABs-Proposition 301	3,810,000	1,278,900
State Land Trust – FY 2004	246,600,000	25,431,400
QZABs – State Land Trust	20,000,000	1,608,500
Subtotal - SFB	968,800,000	92,844,900
Department of Transportation	1,814,945,000 <sup>6/</sup>	260,601,000
<u>ABOR Building System</u>		
Arizona State University	401,651,000	28,763,000
Northern Arizona University	122,710,000	23,102,000
University of Arizona	232,420,000	23,777,000
Subtotal- ABOR	756,781,000	75,642,000
TOTAL- Bonding	3,540,526,000	429,087,900
<b>TOTAL</b>	<b>5,304,061,800</b>	<b>607,911,600</b>

1/ As of June 30, 2004, unless otherwise indicated.

2/ Final payment in FY 2006

3/ 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.

4/ Includes approximately \$375 million committed for capital research infrastructure projects authorized by Laws 2003, Chapter 269. General Fund appropriations of \$34.6 million for debt service begin in FY 2008.

5/ \$300,000,000 authorized for Phoenix Civic Plaza Expansion. City of Phoenix issued the Certificates of Participation in FY 2005. First payment by state begins after project completed in 2009.

6/ Includes \$1,017,360,000 for HURF bonds, \$289,000,000 for RARF bonds, \$308,585,000 for GANs, and \$200,000,000 for BFOs. See Tables 1 and 2 in ADOT operating budget.

**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 house ADOA, the Department of Environmental Quality and the Department of Health Services. The Department of Veterans’ Services has also been authorized to enter into a privatized lease-to-own agreement for a southern Arizona veterans’ home facility. *Table 2* provides information on current lease-to-own agreements.

	Privatized Lease to Own		
	Original Issue	FY 2006 Payment	Lease Completion
DEQ	NA	\$5,038,800	FY 2027
ADOA	NA	2,950,900	FY 2027
DHS	NA	2,557,400	FY 2028
VSC	NA	NA	NA
Total	NA	\$10,547,100	NA

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