

**Capital Outlay  
Summary**

JLBC Analyst: Lorenzo Martinez

DESCRIPTION	FY 2008 Approved
<b>BUILDING RENEWAL</b>	
ADOA Building System	9,423,100
ADOT Building System	3,918,200
ABOR Building System	0
<b>SUBTOTAL</b>	<b>13,341,300</b>
<b>INDIVIDUAL PROJECTS</b>	
ADOA Building System	23,834,500
ADOT Building System	351,717,700
ABOR Building System	0
<b>SUBTOTAL</b>	<b>375,552,200</b>
<b>TOTALS</b>	
ADOA Building System	33,257,600
ADOT Building System	355,635,900
ABOR Building System	0
<b>TOTAL - ALL PROJECTS</b>	<b>388,893,500</b>
<b>FUND SOURCES</b>	
General Fund	19,934,500
<u>Other Appropriated Funds</u>	
State Aviation Fund	26,292,100
Capital Outlay Stabilization Fund	7,257,100
Arizona Exposition and State Fair Fund	1,631,800
Game and Fish Fund	711,200
Game and Fish Capital Improvement Fund	1,648,000
State Highway Fund	258,046,200
State Highway Fund - Statewide Transportation Acceleration Needs (STAN) Account	42,000,000
STAN - Transportation Acceleration Interest Reimbursement Account	10,000,000
STAN - Roads of Regional Significance Congestion Mitigation Account	10,000,000
Highway User Revenue Fund	6,697,600
Risk Management Revolving Fund	1,500,000
Safety Enforcement and Transportation Infrastructure Fund	2,600,000
State Lottery Fund	60,000
Watercraft Licensing Fund	515,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>368,959,000</b>
<b>SUBTOTAL – Appropriated Funds</b>	<b>388,893,500</b>
Other Non-Appropriated Funds	353,778,000
Federal Funds	402,485,000
<b>TOTAL - ALL SOURCES</b>	<b>1,145,156,500</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.

**Capital Outlay** – The Capital Outlay budget provides a total of \$388,893,500 in FY 2008. Of the total, \$19,934,500 is from the General Fund and \$368,959,000 is from Other Funds. The budget consists of 2 main categories: 1) Building Renewal and 2) Individual Projects.

**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 budget provides total funding of \$13,341,300 from Other Funds for Building Renewal in FY 2008. These amounts include:

Arizona Department of Administration	
Capital Outlay Stabilization Fund @ 26%	\$7,257,100
Exposition and State Fair Fund @ 100%	1,631,800
Game and Fish Fund @ 100%	474,200
State Lottery Fund @ 100%	<u>60,000</u>
Subtotal – ADOA	\$9,423,100
Arizona Department of Transportation	
State Highway Fund @ 50%	\$3,777,100
State Aviation Fund @ 100%	<u>141,100</u>
Subtotal – ADOT	\$3,918,200

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

### Individual Projects

The budget provides a total of \$375,552,200 for individual capital projects in FY 2008. Of the total, \$19,934,500 is from the General Fund and \$368,959,000 is from Other Funds. These amounts include \$9,500,000 from the General Fund and \$1,033,000 from Other Funds that were appropriated by Laws 2006, Chapter 345. As a result of these appropriations, this funding does not appear in the FY 2008 Capital Outlay Bill. (See the individual building systems write-ups for more information.)

### Long-Term Financing Summary

#### 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 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. Table 1 provides information on current lease-to-own agreements.

	Original Issue	FY 2008 Payment	Lease Completion
DEQ	NA	\$ 5,272,900	FY 2027
ADOA	NA	3,082,100	FY 2027
DHS	NA	2,699,200	FY 2028
<b>Total</b>	<b>NA</b>	<b>\$11,054,200</b>	<b>NA</b>

#### Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the universities have entered into lease-purchase agreements for the acquisition and construction of state facilities.

The FY 2008 Capital Outlay Bill authorizes ADOA to enter into a 15-year \$39,000,000 lease-purchase agreement to fund a new forensic unit at the Arizona State Hospital, and for water and wastewater projects at 4 prison complexes. The bill requires that the first debt payment to be scheduled to occur in FY 2009. (See the ADOA Building System write-up for more information.)

The School Facilities Board (SFB) also entered into lease-purchase agreements between FY 2003 and FY 2005 for the construction of new schools. Beginning in FY 2006, new school construction was financed on a cash basis.

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, plus interest, until the project is completed in 2009.

Table 2 provides information related to current state lease-purchase agreements.

#### Bonding Summary

The Arizona Board of Regents (ABOR), on behalf of the universities, ADOT, and 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 2 also shows the outstanding bond balances and the payment for FY 2008 for current bond issuances.

<b>Table 2</b>		
<b>Lease-Purchase Summary</b>		
	<b>Balance <sup>1/</sup></b>	<b>FY 2008 Pymt</b>
<b>ADOA Building System</b>		
<b>2001A/B Issuance/Refinance:</b>		
Prisons/ENSCO	9,140,600	7,289,400
Revenue Building	3,518,700	2,806,000
DES Homes	449,700	358,600
Capital Center	2,621,000	2,090,200
Subtotal	15,730,000	12,544,200
<b>2002A Issuance:</b>		
Health Laboratory	24,385,000	2,319,600
<b>2002B Issuance/Refinance:</b>		
16th Ave. Parking	1,617,700	419,400
Courts Building	14,452,800	3,752,500
Historical Museum	5,321,300	1,379,900
ASDB Food Service	1,602,400	418,500
DES West	12,748,600	3,312,300
Tucson Building	9,167,200	2,380,000
Subtotal	44,910,000	11,662,600
<b>2004A Issuance/Refinance:</b>		
Records Management	829,600	186,600
Library for the Blind	227,200	109,900
ASDB Projects	5,451,700	1,252,100
1616 West Adams	1,317,600	620,700
Tonto Natural Bridge	1,628,900	371,800
Subtotal	9,455,000	2,541,100
<b>2004B Issuance</b>		
DOC Prison Expansions	26,695,000	3,193,600
Subtotal- ADOA	121,175,000	32,261,100
<b>School Facilities Board</b>		
New School Construction	826,810,300	71,967,200
<b>ABOR Building System</b>		
Arizona State University	410,269,000	35,516,000
Northern Arizona University	105,077,000	6,785,000
University of Arizona	555,048,000	42,706,000
Subtotal- ABOR	1,070,394,000	85,007,000
Phoenix Civic Plaza Expansion	0 <sup>2/</sup>	0
TOTAL- Lease-Purchase	2,018,379,300	189,235,300
<b>Bonding Summary</b>		
	<b>Balance <sup>1/</sup></b>	<b>FY 2008 Pymt</b>
<b>School Facilities Board</b>		
<b>Deficiencies Correction:</b>		
Proposition 301	657,416,500	65,846,700
State Land Trust – FY 2004	219,420,000	25,434,500
Subtotal - SFB	876,836,500	91,281,200
Department of Transportation	2,073,855,000 <sup>3/</sup>	298,111,000
<b>ABOR Building System</b>		
Arizona State University	387,350,000	34,486,000
Northern Arizona University	131,805,000	15,567,000
University of Arizona	283,445,000	33,826,000
Subtotal- ABOR	802,600,000	83,879,000
TOTAL- Bonding	3,753,291,500	473,271,200
<b>TOTAL</b>	<b>5,771,670,800</b>	<b>662,506,500</b>

<sup>1/</sup> ADOA balances are as of June 30, 2008. All other balances as of June 30, 2006.

<sup>2/</sup> \$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.

<sup>3/</sup> Includes \$1,548,425,000 for HURF bonds, \$325,430,000 for GANs, and \$200,000,000 for BFOs.

## Capital Outlay

### Arizona Department of Administration Building System

JLBC Analyst: Lorenzo Martinez/Leatta McLaughlin

DESCRIPTION	FY 2008 Approved
<b>BUILDING RENEWAL</b>	
Arizona Department of Administration <sup>1/</sup>	7,257,100
Arizona Exposition and State Fair Board	1,631,800
Game and Fish Department	474,200
Arizona Lottery Commission	60,000
<b>SUBTOTAL <sup>2/</sup></b>	<b>9,423,100</b>
<b>INDIVIDUAL PROJECTS <sup>3/</sup></b>	
<b>Arizona Department of Administration</b>	
Former Health Laboratory Renovation <sup>4/</sup>	2,207,000
Department of Corrections Prison Cell Door and Lock Replacement <sup>5/</sup>	5,200,000
Department of Juvenile Corrections HVAC and Electrical Renovations <sup>5/</sup>	885,000
Tucson Office Building Renovations <sup>5/</sup>	1,500,000
<b>Department of Economic Security</b>	
Hopi Assisted Living Center	142,500
Navajo Multipurpose Center	1,000,000
<b>Game and Fish</b>	
Headquarters Construction	80,000
Boat Shade Canopies	195,000
Boat Registration Kiosks	240,000
Shooting Range Access <sup>7/</sup>	150,000
Preventative Maintenance	30,000
DPS Microwave Communications System <sup>6/</sup> (Laws 2007, Chapter 345)	207,000
Becker Lake Facilities Improvements	120,000
Becker Lake Wildlife Area Bridge	52,000
Regional (Flagstaff) Office Remodel/Expansion	1,050,000
Seven Mile Shooting Range	48,000
Robbins Butte Levee	228,000
<b>Legislative Council</b>	
State Archives and History Building (Laws 2007, Chapter 345)	8,000,000
<b>Department of Public Safety</b>	
Microwave Communications System <sup>6/</sup> (Laws 2007, Chapter 345)	1,500,000
<b>Office of Tourism</b>	
Yuma Welcome Center	1,000,000
<b>DEBT FINANCED PROJECTS</b>	
<b>Arizona Department of Administration</b>	
Department of Corrections Water and Wastewater Projects <sup>8/</sup>	0
Arizona State Hospital Forensic Unit <sup>8/</sup>	0
4,000 State-Owned Prison Beds	0
<b>SUBTOTAL</b>	<b>23,834,500</b>
<b>TOTAL - ALL PROJECTS</b>	<b>33,257,600</b>
<b>FUND SOURCES</b>	
General Fund	19,934,500
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	7,257,100
Arizona Exposition and State Fair Fund	1,631,800
Game and Fish Fund	711,200
Game and Fish Capital Improvement Fund	1,648,000
Risk Management Revolving Fund	1,500,000
State Lottery Fund	60,000
Watercraft Licensing Fund	515,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>13,323,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>33,257,600</b>
<b>TOTAL - ALL SOURCES <sup>9/10/</sup></b>	<b>33,257,600</b>

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**DESCRIPTION** — The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by all state agencies except the Arizona Board of Regents and Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 2008 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.

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Unless otherwise specified, funding for capital projects was appropriated by Laws 2007, Chapter 257 (FY 2008 Capital Outlay Bill).

### **Building Renewal**

#### **Building Renewal**

The budget provides \$9,423,100 from Other Funds in FY 2008 for Building Renewal within the ADOA Building System. This amount funds:

- \$7,257,100 from the Capital Outlay Stabilization Fund (COSF) to ADOA to fund 26% of the building renewal formula. In FY 2007, the formula was funded at \$7,249,200, or 29%.
- \$1,631,800 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board to fund 100% of the building renewal formula.
- \$474,200 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.
- \$60,000 from the State Lottery Fund to the Arizona State Lottery Commission to fund 100% of the building renewal formula.

The \$7,257,000 in COSF funding for ADOA building renewal includes \$3,857,100 in additional COSF revenue generated from increasing rental rates charged to agencies in state-owned space from \$15.50 per square foot to \$19.50 per square in FY 2008. Budgets for agencies in state-owned space were increased to pay the higher COSF rates.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The budget continues footnotes that allow up to \$275,000 and up to 5 FTE Positions be appropriated each year from building renewal monies to ADOA for supervision and management of building renewal projects, and a requirement that unused building renewal monies revert on June 30, 2009.

### **Arizona Department of Administration**

#### **Former Health Laboratory Renovation**

The budget provides \$2,207,000 from the General Fund in each of FY 2008 and FY 2009 to ADOA for the renovation of the former state health laboratory. The 27,100 square foot facility has been two-thirds vacant since the new state health laboratory opened in FY 2004. The combined

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- 1/ 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)
- 2/ Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2008 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 be used only 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 (JCCR). Any monies appropriated for building renewal in FY 2008 that are unexpended or unencumbered on June 30, 2009 shall revert to the fund from which the monies were appropriated. The building renewal expenditure plans submitted by agencies for review by the JCCR shall identify the components for each project that incorporate energy efficient systems. (Capital Outlay Appropriation Act footnote)
- 3/ Pursuant to A.R.S. § 41-1252, JCCR shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost greater than \$250,000. In addition, the Capital Outlay Appropriation Act may include similar requirements.
- 4/ Pursuant to A.R.S. § 41-1252, the ADOA shall submit the scope and estimated cost of the project to the JCCR for its review. (Capital Outlay Appropriation Act footnote)
- 5/ Pursuant to A.R.S. § 41-1252, the ADOA shall submit the capital projects to the JCCR for its review. (Capital Outlay Appropriation Act footnote)
- 6/ The Department of Public Safety shall submit an expenditure plan and project timeline to JLBC for review before expending any monies appropriated for the microwave communications system upgrade. The submission shall include the results of the project investment justification approval by the Information Technology Authorization Committee. The Department of Public Safety shall submit a report to the JLBC for review regarding expenditures and progress by December 31, 2006 and June 30, 2007. (Laws 2007, Chapter 345 footnote)
- 7/ The Arizona Game and Fish Department shall conduct a study to determine the feasibility of developing a shooting range in the Sunflower, Arizona area, and report its findings to the JCCR by October 15, 2007. (Capital Outlay Appropriation Act footnote)
- 8/ The first debt service payment would not occur until FY 2009. (Capital Outlay Appropriation Act footnote)
- 9/ 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)
- 10/ 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)

funding would allow the renovation of the laboratory to replace the existing 23,300 square foot Department of Agriculture laboratory, and allow for the sale of the current Agriculture lab. ADOA estimates that the sale could generate approximately \$890,000 to the state after expenses to demolish the existing facility. The planned renovations would extend the life of the building by 10 years.

**DOC Prison Cell Door and Lock Replacement**

The budget provides \$5,200,000 from the General Fund in FY 2008 to ADOA for continued replacement of cell doors and locks throughout the prison system.

This amount is unchanged from FY 2007, in which the appropriation was used to begin the project. ADOA is currently using a portion of the FY 2007 appropriation for project design. The previous estimated cost of the project was \$42,200,000. The ADOA is required to submit the capital project to the JCCR for its review.

**DJC HVAC and Electrical Renovations**

The budget provides \$885,000 from the General Fund in FY 2008 to ADOA for the Department of Juvenile Correction’s Black Canyon Girls School to replace air-cooling and electrical systems in 2 housing units. The housing units were built with gas pack evaporative cooling units that are deteriorated and past their useful life. Evaporative coolers will be replaced with air conditioning units. The housing units do not have sufficient electrical capacity to support the new air conditioning systems. The ADOA is required to submit the capital project to the JCCR for its review.

**Tucson Office Building Renovations**

The budget provides \$1,500,000 from the Risk Management Revolving Fund in FY 2008 to ADOA for mold abatement, rehabilitation, and major repairs to address water damage at the Tucson Office Complex located at 400 W. Congress. The ADOA is required to submit the capital project to the JCCR for its review.

**Department of Economic Security**

**DES Hopi Assisted Living Center**

The budget provides \$142,500 from the General Fund in FY 2008 to the Department of Economic Security for distribution to the Hopi Tribe one-time funding for architectural and design of an assisted living center for disabled elders and younger adults.

**DES Navajo Multipurpose Center**

The budget provides \$1,000,000 from the General Fund in each of FY 2008 and FY 2009 to the Department of Economic Security for distribution to the Navajo Tribe for a multipurpose center.

**Game and Fish Department**

The budget provides \$2,400,000 from Other Funds in FY 2008 for Arizona Game and Fish Department projects. This amount consists of:

Game and Fish Capital Improvement Fund	\$1,648,000
Game and Fish Fund	237,000
Watercraft Licensing Fund	515,000

Pursuant to A.R.S. § 41-1252, JCCR shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost greater than \$250,000.

**Game and Fish Statewide Projects**

**Headquarters Construction**

The budget provides \$80,000 from the Watercraft Licensing Fund in FY 2008 for the Watercraft/Off-Highway Vehicle Division’s portion of construction costs for the Ben Avery headquarters building. An additional \$80,000 will be required in FY 2009.

The agency has broken ground on a replacement headquarters at the Ben Avery shooting range. The new headquarters will contain 80,000 square feet of office space and 24,000 square feet of storage space, which represent increases of 9,000 and 7,000 square feet, respectively. The agency has executed a privatized lease-to-own agreement for construction and lease back of the facilities over 25 years, with annual payments of approximately \$1,500,000 from the non-appropriated Wildlife Conservation Fund (Heritage Fund).

**Boat Shade Canopies**

The budget provides \$195,000 from the Watercraft Licensing Fund in FY 2008 for the construction of 24 boating shade canopies at regional offices across the state. These canopies serve as storage for department boats and off-highway vehicles. Depending on the height of the canopy, 10 feet or 14 feet, the cost per canopy is estimated to be \$6,000 and \$7,500, respectively.

**Boat Registration Kiosks**

The budget provides \$240,000 from the Watercraft Licensing Fund in FY 2008 for the construction of boat registration kiosks in areas which are distantly located from departmental regional offices to provide greater access for boating registration. Approximately 15-20 kiosks will be installed at Motor Vehicle Department locations throughout the state at estimated costs of \$12,000-\$16,000 depending on location.

**Shooting Range Access**

The budget provides \$150,000 from the Game and Fish Capital Improvement Fund in FY 2008 for continued shooting range access improvements. These improvements will partially resurface roadways at the department’s 5

shooting ranges, which are generally unpaved or paved to light-duty standards.

The department is required to conduct a study to determine the feasibility of developing a shooting range in the Sunflower, Arizona area, and report its findings to the JCCR by October 15, 2007.

#### **Preventative Maintenance**

The budget provides \$30,000 from the Game and Fish Fund in FY 2008 to continue funding for preventative maintenance. The program was initiated in FY 2005 and was anticipated to receive ongoing annual funding. The program addresses unexpected facility maintenance expenses requiring immediate action and is separate from building renewal projects.

#### **Microwave Communications System**

The budget provides \$207,000 from the Game and Fish Fund in FY 2008 for the Game and Fish share of design, construction, and implementation of a microwave communications system upgrade. Because Laws 2006, Chapter 345 advance appropriated this amount for FY 2007, FY 2008, and FY 2009, these monies do not appear in the FY 2008 Capital Outlay Bill. (*See DPS Microwave Communication System and ADOT capital section for more information.*)

#### **Game and Fish Region I (Pinetop) Projects**

##### **Becker Lake Facilities Improvements**

The budget provides \$120,000 from the Game and Fish Capital Improvement Fund in FY 2008 to construct an ADA accessible fishing pier which will also be used as a boat courtesy dock, handicap accessible parking, and restroom renovations.

##### **Becker Lake Wildlife Area Bridge**

The budget provides \$52,000 from the Game and Fish Capital Improvement Fund in FY 2008 for the construction of a footbridge over the Little Colorado River at the Becker Lake Wildlife Area, located within Springerville city limits. The bridge would be approximately 75 feet long and 4 feet wide and would be incorporated into the site's current trail system.

#### **Game and Fish Region II (Flagstaff) Projects**

##### **Flagstaff Regional Office Remodel/Expansion**

The budget provides \$1,050,000 from the Game and Fish Capital Improvement Fund in FY 2008 for the expansion and renovation of the regional office located in Flagstaff.

Originally built in 1991, the current office is approximately 6,000 square feet in size. This expansion would add a total of 2,550 square feet, adding 1,800 square feet of additional office space and enlarging the conference room by 750 square feet. The department estimates the cost per square foot for new construction at \$192, which

includes a 10% project contingency rate. This amount is reasonable for a project of this type.

In addition, the adjacent warehouse building will also be expanded from 3,750 square feet to 7,500 square feet. Total costs to expand the office and warehouse buildings are estimated by the department to be \$770,900.

The current office building will also be renovated during the expansion, replacing the existing carpet, painting the exterior and interior of the building, and replacing metal roofing tiles. The capacity of the electrical and HVAC systems will be upgraded to accommodate the additional space. Renovation costs for this project are anticipated to be \$174,600.

The project will also require site regrading and repaving of the parking lot, storm drain improvements, and new landscaping. Costs of these improvements are expected to be \$104,500.

#### **Game and Fish Region III (Kingman) Projects**

##### **Seven Mile Shooting Range**

The budget provides \$48,000 from the Game and Fish Capital Improvement Fund in FY 2008 to modify the water system at the Seven Mile Shooting Range. The improvements are expected to increase water pressure, which currently is insufficient to provide adequate flow to buildings.

#### **Game and Fish Region VI (Mesa) Projects**

##### **Robbins Butte Levee**

The budget provides \$228,000 from the Game and Fish Capital Improvement Fund in FY 2008 for the repair of the flood levee along the southern boundary of the Robbins Butte Wildlife Area headquarters compound. This levee was damaged during flooding which occurred in 2003.

The levee will be substantially rebuilt, which will require hiring a specialized consultant for engineering work and purchasing materials designed to make the structure more resilient against large water flow events.

#### **Legislative Council**

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

The budget provides \$8,000,000 from the General Fund in FY 2008 for the new State Archives and History Building.

Laws 2006, Chapter 345 (FY 2007 Capital Outlay Bill) appropriated this \$8,000,000 to Legislative Council to complete the project. Because Chapter 345 advance appropriated the FY 2008 amount, these monies do not appear in the FY 2008 Capital Outlay Bill.

Laws 2004, Chapter 194 appropriated \$2,000,000 from the General Fund in FY 2005 to ADOA for design and site preparation for a new State Archives and History Building.

Subsequently, Laws 2005, Chapter 298 appropriated \$15,000,000 from the General Fund in FY 2006 and \$15,000,000 from the General Fund in FY 2007 to Legislative Council for the construction.

The project is scheduled to be completed by the end of FY 2008.

## **Department of Public Safety**

### **DPS Microwave Communications System**

The budget provides \$1,500,000 from the General Fund in FY 2008 to the Department of Public Safety (DPS) to upgrade the microwave communications system. Because Laws 2006, Chapter 345 advanced appropriated this amount in FY 2007, FY 2008 and FY 2009, these monies do not appear in the FY 2008 Capital Outlay Bill.

In addition to the \$1,500,000 from the General Fund, Chapter 345 appropriated \$207,000 from the Game and Fish Fund (*see Game and Fish section below*) and \$826,000 from the State Highway Fund (*see Arizona Department of Transportation capital section*) in each of FY 2007, FY 2008 and FY 2009 to provide a total appropriation of \$2,533,000. The amounts are to be transferred to DPS for the system. DPS may use up to \$295,600 for up to 4 FTE Positions to provide project management.

Chapter 345 also intended that \$1,600,000 of federal homeland security monies be distributed in each of FY 2007, FY 2008, and FY 2009 to DPS for the project.

DPS is required to submit an expenditure plan and project timeline to JLBC for review, as well as progress reports by December 31, 2006 and June 30, 2007.

The funding will be used to begin conversion of the department's analog microwave radio system with a digital system. The microwave system is the backbone of the DPS statewide radio system. The radio system provides dispatch control of radio base stations and connects 53 remote radio communication sites and 20 state office locations. In addition, data from the Arizona Criminal Justice System is also sent over the microwave system to criminal justice agencies around the state.

The complete upgrade includes 3 segments (south, west, and north). Each segment of the system operates independently enabling single or multiple digital segments to coexist with the current analog system. The cost to upgrade all 3 segments is estimated to be \$60,000,000, including \$12,100,000 to upgrade the first segment (south).

## **Office of Tourism**

### **Yuma Welcome Center**

The budget provides \$1,000,000 from the General Fund in each of FY 2008 and FY 2009 to the Office of Tourism for distribution to the City of Yuma to complete the Yuma Welcome Center.

Laws 2006, Chapter 335, appropriated \$2,000,000 from the General Fund in FY 2007 for the welcome center with the requirements that the City of Yuma operate and maintain the center through its city-funded Convention and Visitors Bureau, and that the city acquire the property (from the federal government). The Capital Outlay Bill amends Chapter 335 to modify the property acquisition requirement to also allow the property to be conveyed by license to the city.

## **Debt Financed Projects**

The Capital Outlay Bill authorizes ADOA to enter into a 15-year \$39,000,000 lease-purchase agreement, with the first debt payment to be scheduled in FY 2009, to fund the following projects:

### **ASH Forensic Unit**

The budget allocates \$32,200,000 of the \$39,000,000 lease-purchase proceeds to ADOA for construction of a new forensic unit at the Arizona State Hospital. The unit is housed in Juniper Hall, which is a 101,500 square foot, single story building that is 52 years old. A re-living study was conducted for this building by an engineering firm in January 2006. The firm concluded that it is not cost effective to extend the useful life of the existing building.

### **DOC Water and Wastewater Projects**

The budget allocates \$6,800,000 of the \$39,000,000 lease-purchase proceeds to ADOA for prison water projects at the Lewis, Tucson, Winslow/Apache, and Douglas prison complexes for the following projects:

- Lewis – Either construction of a third brine pond or to negotiate an agreement with the City of Phoenix to accept the excess brine at a landfill and construct a system to transport the brine.
- Tucson – Construction of the piping, pumps, and lift stations to connect to the Pima County main trunk sewer line and for a new one-million gallon storage tank to meet domestic and fire-fighting needs.
- Winslow/Apache – Drilling of a second well as a back-up system and to connect it to the first system.
- Douglas – Replace failing water supply line.

### **4,000 State-Owned Prison Beds**

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) authorizes ADOA to enter into a 20-year \$200,000,000 lease-purchase agreement to fund the design and construction of 4,000 state-owned prison beds. The state beds are required to be opened in coordination with 2,000 new private prison beds funded in the Department of Corrections operating budget. (*See Department of Corrections operating budget section for more information.*)

The ADOA is required to submit the capital projects to the JCCR for its review.

**Capital Outlay**  
**Arizona Department of Transportation Building System**

JLBC: Bob Hull/Lorenzo Martinez

DESCRIPTION	FY 2008 Approved
<b>BUILDING RENEWAL</b>	
ADOT Building Renewal <sup>1/</sup>	3,918,200
<b>SUBTOTAL</b>	<b>3,918,200</b>
<b>INDIVIDUAL PROJECTS</b>	
Payson MVD Service Center	1,229,400
Surprise MVD Service Center	3,956,300
De-Icer Buildings	1,850,000
Oil and Asphalt Storage Tanks	1,365,000
Vehicle Wash Systems	2,021,300
Safford Vehicle Maintenance Shop	3,215,000
Far Southeast Valley Multi-Use Facility	6,701,900
DPS Microwave Communications System	826,000
San Luis Inspection Station (Chapter 267) <sup>2/</sup>	2,000,000
Arizona-Mexico Border Agreements (Chapter 267) <sup>2/</sup>	600,000
Grand Canyon Airport Restroom Renovations	210,000
Grand Canyon Airport Water Storage Tank Renovations	635,000
Airport Planning and Development <sup>3/</sup>	25,306,000
State Highway Fund - Statewide Transportation Acceleration Needs (STAN) Account (Chapter 255) <sup>4/</sup>	42,000,000
STAN - Transportation Acceleration Interest Reimbursement Account (Chapter 267) <sup>2/</sup>	10,000,000
STAN - Roads of Regional Significance Congestion Mitigation Account (Chapter 267) <sup>2/</sup>	10,000,000
Statewide Highway Construction <sup>5/</sup>	239,801,800
<b>SUBTOTAL</b>	<b>351,717,700</b>
<b>TOTAL - ALL PROJECTS <sup>6/7/</sup></b>	<b>355,635,900</b>
<b>FUND SOURCES</b>	
<u>Other Appropriated Funds</u>	
Highway User Revenue Fund	6,697,600
State Aviation Fund	26,292,100
Safety Enforcement and Transportation Infrastructure Fund	2,600,000
State Highway Fund	258,046,200
State Highway Fund - Statewide Transportation Acceleration Needs (STAN) Account	42,000,000
STAN - Transportation Acceleration Interest Reimbursement Account	10,000,000
STAN - Roads of Regional Significance Congestion Mitigation Account	10,000,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>355,635,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>355,635,900</b>
Other Non-Appropriated Funds	353,778,000
Federal Funds	404,485,000
<b>TOTAL - ALL SOURCES</b>	<b>1,113,898,900</b>

<sup>1/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2008 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 be used only for facilities on the state building inventory or for infrastructure that directly supports those facilities. Of the amounts appropriated to the Department of Administration, 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 2008 that are unexpended or unencumbered on June 30, 2009 shall revert to the fund from which the monies were appropriated. The building renewal expenditure plans submitted by agencies for review by the Joint Committee on Capital Review shall identify the components for each project that incorporate energy efficient systems. (Capital Outlay Appropriation Act footnote)

<sup>2/</sup> This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (Laws 2007, Chapter 267 footnote)

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**DESCRIPTION** — The Arizona Department of Transportation Building System (ADOT) includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission. Most appropriations for ADOT projects are from the State Highway Fund, Highway User Revenue Fund and State Aviation Fund.

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Unless otherwise specified, funding for capital projects was appropriated by Laws 2007, Chapter 257 (FY 2008 Capital Outlay Bill).

#### **Building Renewal**

The budget provides \$3,918,200 for Building Renewal within the ADOT Building System in FY 2008. This amount consists of \$3,777,100 from the State Highway Fund and \$141,100 from the State Aviation Fund. The State Highway Fund amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport. The amounts represent 50% funding of the revised highways building renewal formula and 100% funding of the aviation building renewal formula. Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings.

The 50% funding of Highway Fund building renewal generated by the revised formula provides an amount roughly equivalent to the appropriation under the old formula. Prior to FY 2007, ADOT was typically funded at 100% of the old formula. The higher dollar level is primarily due to ADOT's updating of building replacement cost per square foot for about 1,500 facilities. Updating the building inventory and square footage also contributed to the increase, but to a lesser extent. No specific facilities dominated the increase.

#### **Payson MVD Service Center**

The budget provides \$1,229,400 from the Highway User Revenue Fund in FY 2008 to ADOT to construct a new 5,410 square foot Payson MVD Service Center at a construction cost of \$397 per square foot. The \$1,229,400 is the difference between ADOT's estimated construction cost of \$2,145,300 and a \$915,900 appropriation for the facility

in FY 2006. While the FY 2008 appropriation is from the Highway User Revenue Fund, the prior appropriation was from the State Highway Fund. The use of Highway User Revenue Fund monies will effectively share the cost of MVD service center construction with cities and counties. These local entities benefit from MVD revenue collections by receiving 55% of vehicle license taxes and 49.5% of Highway User Revenue Fund revenues.

ADOT already owns the land where the facility will be constructed. The new service center will replace a smaller 1,900 square foot leased facility, and will include facilities for customer service, vehicle inspection, commercial drivers license, and an executive hearing office.

#### **Surprise MVD Service Center**

The budget provides \$3,956,300 from the Highway User Revenue Fund in FY 2008 to ADOT to construct a new 15,380 square foot Surprise MVD Service Center at a construction cost of \$257 per square foot. The service center will include facilities for customer service, vehicle inspection, enforcement, and an executive hearing office.

ADOT was appropriated \$2,736,200 from the State Highway Fund in FY 2007 to purchase 5 acres of land for this facility, and is in the process of buying the land. The new service center will replace a smaller, ADOT owned, 6,200 square foot facility, which has insufficient parking and a crowded customer waiting area.

#### **De-Icer Buildings**

The budget provides \$1,850,000 from the State Highway Fund in FY 2008 to ADOT to construct 5 new buildings to house de-icer chemicals, bulk sand, and cinders used during winter months to de-ice highways. They will be located at St. Johns, Superior, Safford, Payson, and Fort Rock and will replace existing deteriorated facilities and

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- 3/ 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 the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
  - 4/ The General Appropriations Act appropriates \$62,000,000 from the State Highway Fund for deposit into the STAN Account. The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267) appropriates \$20,000,000 from the STAN Account for other purposes (see next 2 items), which leaves a net amount of \$42,000,000.
  - 5/ 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 Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
  - 6/ 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)
  - 7/ 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)

outside storage, and will help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water. Each de-icer building will cost an estimated \$370,000. ADOT plans to replace de-icer buildings in 6 additional locations in FY 2008.

**Oil and Asphalt Storage Tanks**

The budget provides \$1,365,000 from the State Highway Fund in FY 2008 to ADOT to install replacement 10,000 gallon oil and asphalt storage tanks and concrete containment basins at 5 locations (Roosevelt, Quartzsite, Gila Bend, Douglas, and Seligman). The new tanks will replace existing deteriorated tanks, and will help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water. Each oil and asphalt storage tank, containment basin, and disposal of the existing tanks will cost an estimated \$273,000. ADOT plans to replace additional oil and asphalt storage tanks in future years.

**Vehicle Wash Systems**

The budget provides \$2,021,300 from the State Highway Fund in FY 2008 to ADOT to construct new vehicle wash systems at 5 rural highway maintenance sites statewide, including Fredonia, Kayenta, Ganado, Springerville, and Globe. Each vehicle wash system costs \$404,300, or \$337 per square foot. A wash system includes a 1,200 square foot metal building, a rack frame for handling de-icer material spreaders, and equipment to contain contaminants such as road tar, lubricants and de-icer salts. The wash systems will help ADOT meet wastewater environmental regulations to protect surface and ground water.

**Safford Vehicle Maintenance Shop**

The budget provides \$3,215,000 from the State Highway Fund in FY 2008 to ADOT to construct a new 17,500 square foot Safford vehicle maintenance shop at a construction cost of \$184 per square foot. The new facility will have 8 maintenance bays for servicing light, medium and heavy duty equipment. The new facility will be built in the Safford maintenance yard at the site of the existing smaller 6,750 square foot vehicle maintenance shop, which will be demolished and removed.

**Far Southeast Valley Multi-Use Facility**

The budget provides \$6,701,900 in FY 2008 to ADOT to purchase 25 acres of land in the far southeast section of the Phoenix metropolitan area for a new multi-use facility. This amount consists of:

Highway User Revenue Fund	1,511,900
State Highway Fund	5,190,000

The 25 acres include 20 acres for a highway maintenance yard and 5 acres for a new MVD customer service center. State Highway Fund monies are included for the highway maintenance yard land.

ADOT estimates an additional cost of \$10,800,000 in FY 2009, including \$3,800,000 to build certain highway maintenance facilities and \$7,000,000 to build a new 15,400 square foot MVD customer service center. The new facilities will accommodate freeway expansion and population growth in the far southeast Valley.

**DPS Microwave Communications System**

The budget provides \$826,000 from the State Highway Fund in FY 2008 to ADOT for DPS Microwave Communications System authorized in Laws 2006, Chapter 345 (Capital Outlay Bill). Chapter 345 appropriated \$826,000 from the State Highway Fund in each of FY 2007, FY 2008 and FY 2009 to ADOT for distribution to the Department of Public Safety for the design, construction and implementation of a microwave communications system upgrade. As a result of this appropriation, this funding does not appear in the FY 2008 Capital Outlay Bill.

**San Luis Inspection Station**

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267) appropriates \$2,000,000 from the Safety Enforcement and Transportation Infrastructure Fund in FY 2008 to ADOT for design, planning, and construction of a state safety inspection station at the San Luis II port of entry. The monies appropriated are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The department will also use \$42,000,000 in Federal Funds received for development of the port.

**Arizona-Mexico Border Agreements**

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267) appropriates \$600,000 from the Safety Enforcement and Transportation Infrastructure Fund in FY 2008 to ADOT to enter into agreements and provide funding to the Arizona-Mexico Commission, the Department of Homeland Security and the Arizona International Development Authority to improve traffic safety, border security and infrastructure planning. The monies appropriated are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

**Grand Canyon Airport Restroom Renovations**

The budget provides \$210,000 from the State Aviation Fund in FY 2008 to ADOT to renovate, enlarge, and make the Grand Canyon Airport terminal restrooms compliant with Americans with Disabilities Act (ADA) requirements. The renovated bathrooms will have a total of 1,200 square feet, for a cost of \$175 per square foot. The current 40-year-old facility is too small to accommodate the number of passengers, and the bathroom fixtures and size of the stalls are not ADA compliant. The project will double the size of the bathrooms, install water conserving ADA compliant fixtures, and replace deteriorated water supply and waste lines.

**Grand Canyon Airport Water Storage Tank Renovations**

The budget provides \$635,000 from the State Aviation Fund in FY 2008 to ADOT for Grand Canyon Airport

water storage tank renovations. The project will inspect, clean and paint the interior and exterior of 3 water tanks, and repair water pumps and meters.

**Airport Planning and Development**

The budget provides \$25,306,000 from the State Aviation Fund for the department’s airport construction program in FY 2008. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

**Statewide Transportation Acceleration Needs Account**

The General Appropriation Act appropriates \$62,000,000 from the State Highway Fund in FY 2008 for deposit in the Statewide Transportation Acceleration Needs Account of the State Highway Fund. Of this amount, \$10,000,000 is appropriated to the Transportation Acceleration Interest Reimbursement Account in FY 2008, and \$10,000,000 is appropriated to the Roads of Regional Significance Congestion Mitigation Account in FY 2008. *(See below.)*

The State Transportation Board uses monies in the Statewide Transportation Acceleration Needs Account to pay for certain costs for the construction or reconstruction of freeways, state highways, bridges, and interchanges that are in a county’s regional transportation plan or ADOT’s long-range statewide transportation plan. The Statewide Transportation Acceleration Needs Account monies are divided 60% for Maricopa County, 16% for Pima County, and 24% for all other counties. In contrast, ADOT divides net State Highway Fund monies available for statewide highway construction according to the Casa Grande Accord, 37% for Maricopa County, 13% for Pima County, and 50% for all other counties.

**Transportation Acceleration Interest Reimbursement Account**

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267) appropriates \$10,000,000 from the Statewide Transportation Acceleration Needs Account in FY 2008 to the Transportation Acceleration Interest Reimbursement Account for approved interest costs. The monies appropriated are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Chapter 267, as permanent law, establishes the Transportation Acceleration Interest Reimbursement Account as a subaccount of the Statewide Transportation Acceleration Needs Account. The State Transportation Board may use monies in the Transportation Acceleration Interest Reimbursement Account to reimburse cities and counties for interest on loans and bonds issued to accelerate transportation projects after January 1, 2007.

**Roads of Regional Significance Congestion Mitigation Account**

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267) appropriates \$10,000,000 from the Statewide Transportation Acceleration Needs Account in

FY 2008 to the Roads of Regional Significance Congestion Mitigation Account for funding transportation projects of high growth counties, cities and towns. The monies appropriated are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Chapter 267, as permanent law, establishes the Roads of Regional Significance Congestion Mitigation Account as a subaccount of the Statewide Transportation Acceleration Needs Account to lend monies to governmental entities for transportation projects in high growth counties, cities and towns. An entity’s average growth rate must exceed the statewide average growth rate for similar entities by at least 50% in the last 5 years to be eligible for account monies.

**Statewide Highway Construction**

As part of Laws 2007, Chapter 257, the Capital Outlay Bill provides \$239,801,800 from the State Highway Fund in FY 2008 for highway construction and debt service on bonds. As the result of the enactment of other legislation, a revised estimate of \$228,714,000 is expected to be available for highway construction and debt service. Debt service payments are expected to decrease by \$(13,126,000), from \$103,327,000 to \$90,201,000, due to ADOT planning a lower bond issuance in FY 2008, which resulted from ADOT issuing more bonds than originally anticipated in FY 2007. In addition, ADOT plans to only make interest payments in FY 2008 for any bonds issued during FY 2008.

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267) extends the allowable repayment period for highway bonds from 20 years to 30 years. This is estimated to provide ADOT with an additional \$500,000,000 in bonding capacity. ADOT does not anticipate using any of the additional bonding capacity in FY 2008.

Highway construction increased by \$2,050,200, from \$24,521,800 to \$26,572,000, due primarily to a State Highway Fund decrease of \$(13,126,000) for debt service, and an increase of \$11,075,800 for the ADOT operating budget for statewide adjustments. *Table 1* shows the allocation of the enacted budget and revised amounts related to highway construction.

	<u>Enacted Budget</u>	<u>Revised</u>
Highway Construction	\$ 24,521,800	\$ 26,572,000
Controlled Access	111,953,000	111,941,000
Debt Service	<u>103,327,000</u>	<u>90,201,000</u>
<b>Total</b>	<b>\$239,801,800</b>	<b>\$228,714,000</b>

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 5.)* As noted in the HURF distribution table *(see Table 4)*, an additional amount of \$930,000,000 from unspent FY 2007 State Highway Fund monies, FY 2008 bond proceeds, and the Statewide Transportation

Acceleration Needs Account will also be available in FY 2008. In combination with the \$26,572,000, a total of \$956,572,000 will be available (see Table 4).

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. ADOT has approximately \$2.07 billion in outstanding bonds and other long-term debt. The payment to debt service listed in the above table represents the appropriated portion of FY 2008 debt service payments.

### Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 15, 2007 includes monies from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, Highway User Revenue Fund for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$1,890,650,000 for FY 2008, including \$1,592,539,000 for construction and maintenance projects scheduled to begin in FY 2008, and \$298,111,000 for debt service.

Adding the \$42,000,000 deposited in the Statewide Transportation Acceleration Needs Account of the State Highway Fund in FY 2008, will increase the program to \$1,932,650,000 for FY 2008. For details please see Table 2.

**Table 2**  
**Highway Construction Program Adopted**  
**By State Transportation Board and Estimated**  
**Debt Service Payments**

	<b>FY 2008</b>
Construction	\$ 375,864,000
Urban Controlled Access <sup>1/</sup>	902,897,000
Pavement Preservation Maintenance	131,470,000
Other <sup>2/</sup>	182,308,000
Debt Service <sup>3/</sup>	298,111,000
Statewide Transportation Acceleration Needs Account	42,000,000
<b>Total</b>	<b>\$1,932,650,000</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 \$90,201,000 in FY 2008 for State Highway Fund statewide construction bonds; \$61,233,000 for Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds; \$29,041,000 for Maricopa Regional Area Road Fund Bonds; \$51,636,000 for Grant Anticipation Notes; and \$66,000,000 for Board Funding Obligations.

### Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. Table 3 summarizes the estimated revenues and expenditures for FY 2008, 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 2008.

Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of Debt Service is appropriated.

**Table 3**  
**Estimated Highway Construction - Cash Basis**

	<b>FY 2008</b>
<b>Balance Forward <sup>1/</sup></b>	<b>\$ 654,000,000</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction	\$ 26,572,000
Appropriated Controlled Access Highways (MAG&PAG)	111,941,000
Appropriated Debt Service	90,201,000
Statewide Transportation Acceleration Needs (STAN) Account <sup>2/</sup>	195,770,000
½ Cent Sales Tax	235,309,000
Federal Aid	515,500,000
HURF Bond Proceeds <sup>3/</sup>	305,000,000
Maricopa Regional Area Road Fund Bond Proceeds <sup>3/</sup>	370,000,000
Grant Anticipation Notes Proceeds <sup>3/</sup>	68,278,000
Board Funding Obligations Borrowings	60,000,000
Highway Expansion & Extension Loans (HELP)	2,534,000
Miscellaneous Income/Expenses <sup>4/</sup>	97,591,000
Statewide Transportation Acceleration Needs Account	42,000,000
Subtotal – Revenues	<u>\$2,120,696,000</u>
<b>Total Funds Available for Construction</b>	<b>\$2,774,696,000</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	\$90,201,000
Board Funding Obligations Debt Service	66,000,000
HELP Loan Repayments	66,203,000
Other Debt Service (All Other)	141,910,000
Subtotal - Debt Service	<u>\$ 364,314,000</u>
<b>Planned Construction Expenditures</b>	
Statewide Highway Construction (including PAG)	\$ 720,000,000
Controlled Access Highways (MAG)	1,281,335,000
Statewide Transportation Acceleration Needs Account	42,000,000
Subtotal - Construction Expenditures	<u>\$2,043,335,000</u>
<b>Total Planned Expenditures</b>	<b>\$2,407,649,000</b>
<b>Balance Forward</b>	<b>\$367,047,000</b>

<sup>1/</sup> Includes unexpended bond proceeds for bonds issued in prior years.

<sup>2/</sup> Estimated construction costs for STAN Account funded projects including \$117,462,000 for MAG, \$31,323,000 for PAG, and \$46,985,000 for the other counties. Represents funding from FY 2007.

<sup>3/</sup> Proceeds reflect a cash expenditure basis.

<sup>4/</sup> Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, construction operating budget reimbursements, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

**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 line in *Table 4*, 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, and Miscellaneous Funds available for construction. The line represents the amount that is available from the discretionary State Highway Fund to fund the State Transportation Board’s 5-Year Plan.

**Additional Legislation**

**Highway Construction**

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267), as session law, repeals the FY 2003 ADOT appropriation of \$650,000 from the State Highway Fund, made by Laws 2002, Chapter 328, to buy 78 miles of railroad corridor from West Phoenix to Wellton, Arizona. Chapter 267 appropriates any unexpended or

unencumbered monies from the \$650,000 to ADOT for freight or passenger railroad related planning activities. The appropriation may be used as matching monies to any available federal monies. The monies appropriated are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

**Highway Expansion and Extension Loan Program Fund Set Aside**

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267), as permanent law, sets aside up to \$10,000,000 of Highway Expansion and Extension Loan Program Fund monies for transit capital projects in municipalities with a population of less than 50,000.

**Highway User Revenue Fund Bonds**

The Transportation Budget Reconciliation Bill (Laws 2007, Chapter 267), as permanent law, increases the maturity limit for Highway User Revenue Fund bonds from 20 to 30 years, which should allow ADOT to issue an additional \$500,000,000 of Highway User Revenue Fund bonds over the next several years. *(Please see Statewide Highway Construction for additional information.)*

<b>Percentage Distribution of HURF Monies</b>	
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.

Table 4

## Highway User Revenue Fund (HURF) Distribution

		\$ in Thousands		
		FY 2006	FY 2007	FY 2008
		<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<b>Total HURF Collections</b>		1,331,625	1,398,800	1,483,200
Less:	Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
	ADOT - MVD Operating Budget	383	607	617
	ADOT - Capital Outlay	0	0	6,698
	Dept of Public Safety Transfer from HURF	63,999	10,000	10,000
	Dept of Administration - Highway Hazards Assessment <sup>2/</sup>	<u>0</u>	<u>0</u>	<u>150</u>
<b>Net HURF Collections</b>		1,266,243	1,387,193	1,464,735
Less:	Cities <sup>3/</sup>	386,128	423,094	446,744
	Counties <sup>3/</sup>	240,538	263,567	278,300
	Controlled Access <sup>4/</sup>	96,768	106,018	111,941
	Vehicle License Tax Transfer to Parity Compensation Fund <sup>5/</sup>	<u>2,693</u>	<u>3,048</u>	<u>3,236</u>
<b>Net State Highway Fund (Discretionary)</b>		540,116	591,466	624,514
Plus:	Other Income <sup>6/</sup>	15,018	15,500	16,000
Less:	Operating Budget	364,715	391,757	418,167
	Operating Carryovers, Adjustments and Transfer <sup>7/</sup>	4,849	2,843	5
	Capital Outlay and Building Renewal	1,652	10,255	16,592
	Capital Non-Lapsing Carryovers	1,457	8,925	0
	Motor Vehicle Third Party Payments <sup>8/</sup>	13,902	15,211	16,151
	Dept of Public Safety Transfer from Highway Fund	42,198	10,000	10,000
	DPS Microwave Communications System <sup>9/</sup>	0	826	826
	Statewide Transportation Acceleration Needs (STAN) Account <sup>10/11/</sup>	0	62,000	62,000
	Debt Service <sup>12/</sup>	<u>68,060</u>	<u>73,495</u>	<u>90,201</u>
<b>Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) <sup>13/</sup></b>		58,301	31,654	26,572
<b>State Highway Fund Adjustments</b>				
Plus:	Discretionary State Highway Fund Beginning Balance	175,000	124,000	89,000
	Controlled Access State Highway Fund Beginning Balance	135,000	156,000	160,000
	STAN Account Beginning Balance	0	0	316,000
	Construction Operating Budget Reimbursements <sup>14/</sup>	49,000	58,000	60,000
	Discretionary State Highway Fund Bond Proceeds	118,000	300,000	305,000
	Controlled Access State Highway Fund Bond Proceeds	0	50,000	0
	STAN Account - General Fund <sup>10/</sup>	<u>0</u>	<u>245,000</u>	<u>0</u>
<b>Total Highway Fund Available for Statewide Highway Construction</b>		535,301	964,654	956,572

<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.

<sup>2/</sup> Laws 2007, Chapter 255 appropriates \$150,000 from the Highway User Revenue Fund to the Department of Administration to contract for an outside review of the state's highways for potential hazards.

<sup>3/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>4/</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>5/</sup> Laws 2005, Chapter 306 transfers 1.51% of vehicle license tax for distribution to the State Highway Fund to the Parity Compensation Fund beginning in FY 2006.

<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 \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>8/</sup> Statutory payments to third parties from vehicle license taxes collected by third parties.

<sup>9/</sup> Laws 2006, Chapter 345, appropriates \$826,000 from the State Highway Fund in each of FY 2007, FY 2008 and FY 2009 to ADOT for distribution to DPS for the design, construction and implementation of a microwave communications system upgrade.

<sup>10/</sup> Laws 2006, Chapter 344, appropriates \$307,000,000 in FY 2007 for deposit in the Statewide Transportation Acceleration Needs Account of the State Highway Fund, including \$62,000,000 from the State Highway Fund and \$245,000,000 from the General Fund.

<sup>11/</sup> Laws 2007, Chapter 255, appropriated \$62,000,000 from the State Highway Fund in FY 2008 for deposit in the Statewide Transportation Acceleration Needs Account of the State Highway Fund. Of this amount, \$20,000,000 was allocated for other purposes.

<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, and miscellaneous funds available for construction.

<sup>14/</sup> Construction operating budget monies reimbursed from federal funds, Maricopa Regional Area Road Fund and bond monies.

**Capital Outlay**  
**Arizona Board of Regents Building System**

JLBC Analyst: Lorenzo Martinez

DESCRIPTION	FY 2008 Approved
<b>BUILDING RENEWAL</b>	
Arizona Board of Regents	0
<b>SUBTOTAL</b>	<b>0</b>
<b>INDIVIDUAL PROJECTS</b>	
Arizona Board of Regents	0
<b>SUBTOTAL</b>	<b>0</b>
<b>TOTAL - ALL PROJECTS</b>	<b>0</b>
<b>FUND SOURCES</b>	
General Fund	0
<b>TOTAL - ALL SOURCES</b>	<b>0</b>

**DESCRIPTION** — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities. Appropriations for ABOR Building System projects are made from the General Fund.

**Building Renewal**

**Building Renewal**

The capital budget provides no funding in FY 2008 for Building Renewal within the Arizona Board of Regents (ABOR) Building System. The building renewal formula for the university system would have required \$71,535,900 in FY 2008.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. In FY 2007, the university building renewal formula was funded at \$20,000,000, or 29%. FY 2007 was the first university building renewal funding since FY 2001.

**Individual Projects**

The capital budget provides no funding in FY 2008 for capital projects within the ABOR Building System.

**Other Issues**

***Phoenix Biomedical Campus Schematic Design***

The FY 2008 General Appropriation Act (Laws 2007, Chapter 255), appropriates \$5,250,000 to each of the University of Arizona (UA) and Arizona State University (ASU) from the General Fund for the new Phoenix Biomedical Campus Schematic Design in FY 2008. This funding will be used for programming and schematic design of the Arizona Biomedical Collaborative (ABC) 2 and Education buildings at the Phoenix Medical Campus. (For additional information on the Phoenix Medical Campus, please see the UA - Health Sciences section.)

The ABC 2 building is intended to house research programs for the UA College of Medicine-Phoenix, the ASU Department of Biomedical Informatics, and other ASU biomedical research programs, such as the Biodesign Institute and the College of Life Sciences. The Education buildings would be comprised primarily of classroom and administrative space, with educational facilities such as simulation laboratories, gross anatomy facilities, and preclinical training.

A new footnote in the FY 2008 budget requires ASU and UA to jointly submit an expenditure plan before expending the appropriation for programming and schematic design. Another new footnote further requires ASU and UA to jointly submit the scope, purpose and estimated cost of the Phoenix Biomedical Campus to the Joint Committee on Capital Review (JCCR) for its review after schematic design is complete.

The total construction cost of the ABC 2 and Education buildings is estimated to be between \$400,000,000 and \$500,000,000.