

Capital Outlay

Summary

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DESCRIPTION	FY 2008 JLBC
BUILDING RENEWAL	
ADOA Building System	9,423,100
ADOT Building System	4,018,300
ABOR Building System	18,820,400
SUBTOTAL	32,261,800
INDIVIDUAL PROJECTS	
ADOA Building System	24,761,000
ADOT Building System	357,690,800
SUBTOTAL	382,451,800
TOTALS	
ADOA Building System	34,184,100
ADOT Building System	361,709,100
ABOR Building System	18,820,400
TOTAL - ALL PROJECTS	414,713,600
FUND SOURCES	
General Fund	41,234,400
<u>Other Appropriated Funds</u>	
State Aviation Fund	25,777,100
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	1,595,000
State Highway Fund	327,038,700
Highway User Revenue Fund	8,893,300
State Lottery Fund	60,000
Watercraft Licensing Fund	515,000
SUBTOTAL - Other Appropriated Funds	373,479,200
SUBTOTAL – Appropriated Funds	414,713,600
Other Non-Appropriated Funds	353,778,000
Federal Funds	402,485,000
TOTAL - ALL SOURCES	1,170,976,600

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.

The following amounts are one-time appropriations.

	FY 2008
Capital Outlay	GF \$41,234,400
	OF 373,479,200

The Capital Outlay budget includes a total of \$414,713,600 in FY 2008. Of the total, \$41,234,400 is from the General Fund and \$373,479,200 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 JLBC Baseline includes total funding of \$32,261,800 for Building Renewal in FY 2008. Of the total, \$18,820,400 is from the General Fund and \$13,441,400 is from Other Funds. 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%	\$3,877,200
State Aviation Fund @ 100%	<u>141,100</u>
Subtotal – ADOT	\$4,018,300
Arizona Board of Regents	
General Fund @ 26%	\$18,820,400

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

Individual Projects

The JLBC Baseline includes a total of \$382,451,800 for individual capital projects in FY 2008. Of the total, \$22,414,000 is from the General Fund and \$360,037,800 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 will 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.

	Privatized Lease to Own Summary		
	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
Total	NA	\$11,054,200	NA

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 School Facilities Board 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, 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 2 also shows the outstanding bond balances and the payment for FY 2008 for current bond issuances.

Table 2		
Lease-Purchase Summary		
	Balance ^{1/}	FY 2008 Pymt
ADOA Building System		
2001A/B Issuance/Refinance:		
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
2002A Issuance:		
Health Laboratory	24,385,000	2,319,600
2002B Issuance/Refinance:		
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
2004A Issuance/Refinance:		
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
2004B Issuance		
DOC Prison Expansions	26,695,000	3,193,600
Subtotal- ADOA	121,175,000	32,261,100
School Facilities Board		
New School Construction	826,810,300	71,967,200
ABOR Building System		
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 ^{2/}	0
TOTAL- Lease-Purchase	2,018,379,300	189,235,300
Bonding Summary		
	Balance ^{1/}	FY 2008 Pymt
School Facilities Board		
Deficiencies Correction:		
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 ^{3/}	323,711,000
ABOR Building System		
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	498,871,200
TOTAL	5,771,670,800	688,106,500

^{1/} ADOA balances are as of June 30, 2008. All other balances as of June 30, 2006.

^{2/} \$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.

^{3/} Includes \$1,548,425,000 for HURF bonds, \$325,430,000 for GANs, and \$200,000,000 for BFOs.