

**Capital Outlay  
Summary**

JLBC Analyst: Leatta McLaughlin

DESCRIPTION	FY 2009 Approved
<b>BUILDING RENEWAL</b>	
ADOA Building System	8,493,300
ADOT Building System	4,208,900
ABOR Building System	0
<b>SUBTOTAL</b>	<b>12,702,200</b>
<b>INDIVIDUAL PROJECTS</b>	
ADOA Building System	16,022,000
ADOT Building System	345,847,000
ABOR Building System	0
<b>SUBTOTAL</b>	<b>361,869,000</b>
<b>TOTALS</b>	
ADOA Building System	24,515,300
ADOT Building System	350,055,900
ABOR Building System	0
<b>TOTAL - ALL PROJECTS</b>	<b>374,571,200</b>
<b>FUND SOURCES</b>	
General Fund	13,500,000
<u>Other Appropriated Funds</u>	
State Aviation Fund	31,356,900
Capital Outlay Stabilization Fund	6,591,000
Safety Enforcement and Transportation Infrastructure Fund	600,000
Arizona Exposition and State Fair Fund	1,794,300
Game and Fish Fund	768,000
Game and Fish Capital Improvement Fund	1,354,000
State Highway Fund	318,099,000
State Lottery Fund	68,000
Watercraft Licensing Fund	440,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>361,071,200</b>
<b>SUBTOTAL – Appropriated Funds</b>	<b>374,571,200</b>
Other Non-Appropriated Funds	377,108,000
Federal Funds	374,328,000
<b>TOTAL - ALL SOURCES</b>	<b>1,126,007,200</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 Building System, the Arizona Department of Transportation Building System, and the Arizona Board of Regents 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 \$374,571,200 in FY 2009. Of the total, \$13,500,000 is from the General Fund and \$361,071,200 is from Other Appropriated 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 \$12,702,200 for Building Renewal in FY 2009, which is from Other Funds. These amounts include:

Arizona Department of Administration	
Capital Outlay Stabilization Fund @ 20%	\$6,100,000
Exposition and State Fair Fund @ 100%	1,794,300
Game and Fish Fund @ 100%	531,000
State Lottery Fund @ 100%	<u>68,000</u>
Subtotal – ADOA	\$8,493,300
Arizona Department of Transportation	
State Highway Fund @ 50%	\$4,052,000
State Aviation Fund @ 100%	<u>156,900</u>
Subtotal – ADOT	\$4,208,900

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

### Individual Projects

The budget provides a total of \$361,869,000 for individual capital projects in FY 2009. Of the total, \$13,500,000 is from the General Fund and \$348,369,000 is from Other Appropriated Funds. These amounts include \$3,500,000 from the General Fund and \$1,033,000 from Other Appropriated Funds that were appropriated by Laws 2006, Chapter 345 and Laws 2007, Chapter 257. As a result of these appropriations, this funding does not appear in the FY 2009 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 (PLTO) 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 agreements with private entities for 3 office buildings on the Capitol Mall. The 3 buildings house ADOA, the Department of Environmental Quality (DEQ), and the Department of Health Services (DHS). Table 1 provides information on current lease-to-own agreements.

	Original Issue	FY 2009 Payment	Lease Completion
DEQ	NA	\$ 5,408,600	FY 2027
ADOA	NA	3,161,600	FY 2027
DHS	NA	2,774,300	FY 2028
<b>Total</b>	<b>NA</b>	<b>\$11,344,500</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 School Facilities Board (SFB) also entered into lease-purchase agreements between FY 2003 and FY 2005 for the construction of new schools. In FY 2006 and FY 2007, new school construction was financed on a cash basis. The FY 2009 Education Budget Reconciliation Bill (Laws 2008, Chapter 287) authorizes SFB to enter into lease-purchase agreements again in FY 2009 for most of FY 2008 and all of FY 2009 new construction costs, with the annual debt service payments beginning in FY 2010.

The state has also committed to participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. The City of Phoenix issued \$600,000,000 in COPs in FY 2005. The project is expected to be completed in December 2008. The state is not required to begin repayment of its share of \$300,000,000, plus interest, until the following year in FY 2010.

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

### Bonding Summary

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 2009 for current bond issuances.

**Table 2**

	<b>Lease-Purchase Summary</b>	
	<b>Balance <sup>1/</sup></b>	<b>FY 2009 Pymt</b>
<b>ADOA Building System</b>		
<b>2001A/B Issuance/Refinance</b>		
Prisons/ENSCO	6,676,800	2,867,300
Revenue Building	2,570,200	1,103,700
DES Homes	328,500	141,100
Capital Center	1,914,500	822,200
Subtotal	11,490,000	4,934,300
<b>2002A Issuance:</b>		
Health Laboratory	23,275,000	2,319,400
<b>2002B Issuance/Refinance</b>		
16th Ave. Parking	1,273,700	419,400
Courts Building	11,367,100	3,758,100
Historical Museum	4,185,000	1,383,900
ASDB Food Service	1,263,600	413,600
DES West	10,027,900	3,314,100
Tucson Building	7,212,600	2,381,300
Subtotal	35,329,900	11,670,400
<b>2004A Issuance/Refinance</b>		
Records Management	672,800	189,500
Library for the Blind	127,900	105,200
ASDB Projects	4,416,700	1,249,900
1616 West Adams	732,200	619,100
Tonto Natural Bridge	1,320,500	372,700
Subtotal	7,270,100	2,536,400
<b>2004B Issuance</b>		
ADC Prison Expansions	24,820,000	3,189,200
<b>2008A Issuance</b>		
ADC 4000 Prison Beds	200,000,000	0 <sup>2/</sup>
ADC Water and Wastewater	6,795,000	0 <sup>2/</sup>
DHS Forensic Hospital	32,195,000	0 <sup>2/</sup>
Subtotal	238,990,000	0
<b>New Issuance</b>		
DEMA Operations Center	7,500,000	0 <sup>2/</sup>
Subtotal- ADOA	348,675,000	24,649,700
<b>School Facilities Board</b>		
New School Construction – FY 2003 – FY 2005		
	789,640,000	79,268,400
New School Construction – FY 2008 – FY 2009		
	593,000,000	0 <sup>2/</sup>
Subtotal	1,382,640,000	79,268,400
<b>ABOR Building System</b>		
Arizona State University	413,183,000	36,826,000
Northern Arizona University	126,984,000	7,055,000
University of Arizona	572,617,000	43,588,000
Subtotal- ABOR	1,112,784,000	87,469,000
Phoenix Convention Center	300,000,000	0 <sup>2/</sup>
TOTAL- Lease-Purchase	3,144,099,000	191,387,100
<b>Bonding Summary</b>		
	<b>Balance <sup>1/</sup></b>	<b>FY 2009 Pymt</b>
<b>School Facilities Board</b>		
Deficiencies Correction:		
Proposition 301	666,408,100	65,843,200
State Land Trust – FY 2004	199,690,000	24,248,200
Subtotal - SFB	866,098,100	90,091,400
Department of Transportation	1,973,460,000 <sup>3/</sup>	280,900,000
<b>ABOR Building System</b>		
Arizona State University	448,985,000	41,842,000
Northern Arizona University	122,565,000	10,083,000
University of Arizona	297,015,000	35,909,000
FY 2009 Capital Bond	1,000,000,000 <sup>4/</sup>	0 <sup>2/</sup>
Subtotal- ABOR	1,868,565,000	87,834,000
TOTAL- Bonding	4,708,123,100	458,825,400
<b>TOTAL</b>	<b>7,852,222,100</b>	<b>650,212,500</b>

<sup>1/</sup> ADOA balances are as of June 30, 2009. All other balances as of June 30, 2007.

<sup>2/</sup> The debt service payments will not begin until at least FY 2010. These are estimates pending the actual issuances, and they reflect the estimated full year payment even though the first year payment may be a partial payment:

Future Year Debt Service

ADC 4000 Prison Beds	\$16,056,000
ADC Water and Wastewater	\$657,900
DHS Forensic Hospital	\$3,110,100
DEMA Operations Center	\$700,000
New School Construction – FY08-FY09	\$55,000,000
Phoenix Convention Center	\$5,000,000
ABOR FY 2009 Capital Bond	<u>\$66,419,900</u>
TOTAL	\$146,943,900

The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000.

<sup>3/</sup> Includes \$1,490,600,000 for HURF bonds, \$282,860,000 for GANs, and \$200,000,000 for BFOs.

<sup>4/</sup> Includes \$470,000,000 for construction of the University of Arizona Phoenix Biomedical Campus.

## Capital Outlay

### Arizona Department of Administration Building System

JLBC Analyst: Leatta McLaughlin

DESCRIPTION	FY 2009 Approved
<b>BUILDING RENEWAL</b>	
Arizona Department of Administration <sup>1/</sup>	6,100,000
Arizona Exposition and State Fair Board	1,794,300
Game and Fish Department	531,000
Arizona Lottery Commission	68,000
<b>SUBTOTAL<sup>2/</sup></b>	<b>8,493,300</b>
<b>INDIVIDUAL PROJECTS<sup>3/</sup></b>	
<b>Arizona Department of Administration</b>	
Capitol Mall Fire Systems Replacement <sup>4/</sup>	491,000
Former Health Laboratory Renovation <sup>4/</sup>	0
<b>Department of Economic Security</b>	
Navajo Multipurpose Center	1,000,000
<b>Game and Fish</b>	
Headquarters Construction	80,000
Boat Shade Canopies	120,000
Boat Registration Kiosks	240,000
Shooting Range Access	150,000
Preventative Maintenance	30,000
DPS Microwave Communications System	207,000
Regional (Yuma) Office Remodel/Expansion	954,000
Regional (Mesa) Office Paving Project	250,000
<b>Legislative Council</b>	
Capitol Centennial Renovation	0
<b>Department of Public Safety</b>	
Microwave Communications System <sup>5/</sup>	1,500,000
<b>Office of Tourism</b>	
Yuma Welcome Center	1,000,000
<b>Department of Veterans' Services</b>	
Southern Arizona Veterans' Home	10,000,000
<b>DEBT FINANCED PROJECTS<sup>6/</sup></b>	
Arizona State Hospital and Department of Corrections Projects	0
Department of Emergency and Military Affairs Operations Center	0
University Capital Projects	0
<b>SUBTOTAL</b>	<b>16,022,000</b>
<b>TOTAL - ALL PROJECTS</b>	<b>24,515,300</b>
<b>FUND SOURCES</b>	
General Fund	13,500,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	6,591,000
Arizona Exposition and State Fair Fund	1,794,300
Game and Fish Fund	768,000
Game and Fish Capital Improvement Fund	1,354,000
State Lottery Fund	68,000
Watercraft Licensing Fund	440,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>11,015,300</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>24,515,300</b>
Federal Funds	1,600,000
<b>TOTAL - ALL SOURCES<sup>7/8/</sup></b>	<b>26,115,300</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 2009 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 2008, Chapter 289 (FY 2009 Capital Outlay Bill).

### **Building Renewal**

#### **Building Renewal**

The budget provides \$8,493,300 from Other Funds in FY 2009 for Building Renewal within the Arizona Department of Administration (ADOA) Building System. This amount funds:

- \$6,100,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA to fund 20% of the building renewal formula. In FY 2008, the formula was funded at \$7,257,100, or 26%.
- \$1,794,300 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board to fund 100% of the building renewal formula.
- \$531,000 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.
- \$68,000 from the State Lottery Fund to the Arizona State Lottery Commission to fund 100% of the building renewal formula.

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, 2010.

### **Arizona Department of Administration**

#### **Capitol Mall Fire Systems Replacement**

The budget provides \$491,000 from COSF in FY 2009 to ADOA for the replacement of fire alarm systems at 5 Capitol Mall buildings. The fire systems at these buildings are 8-10 years old, and replacement parts are no longer available for the systems since the manufacturer is out of business. The current systems have been maintained by purchasing used parts. According to ADOA, the useful life of a fire alarm system is 13-15 years if parts are readily available.

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

The budget includes no funding in FY 2009 to ADOA for the renovation of the former state health laboratory. Laws 2007, Chapter 257 advance appropriated \$2,207,000 in both FY 2008 and FY 2009. However, Laws 2008,

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- 1/ The Arizona Department of Administration (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 2009 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 2009 that are unexpended or unencumbered on June 30, 2010 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/ The Department of Public Safety (DPS) shall submit an expenditure plan and project timeline to the Joint Legislative Budget Committee (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 DPS shall submit a report to the JLBC for review regarding expenditures and progress by December 31, 2006 and June 30, 2007. (Laws 2006, Chapter 345 footnote)
- 6/ The debt service payments on these projects will not begin until at least FY 2010.
- 7/ 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)
- 8/ 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)

Chapter 53 reverted \$1,000,000 of the FY 2008 appropriation to the General Fund in FY 2008 while Laws 2008, Chapter 289 reverted the entire \$2,207,000 FY 2009 appropriation to the General Fund in FY 2009.

The 27,100 square foot facility has been two-thirds vacant since the new state health laboratory opened in FY 2004. The combined funding would have allowed 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 renovations would have extended the life of the building by 10 years.

### **Department of Economic Security**

#### **Navajo Multipurpose Center**

The budget provides \$1,000,000 from the General Fund in FY 2009 to the Department of Economic Security for distribution to the Navajo Tribe for a multipurpose center. The total cost of the project is \$2,000,000. Laws 2007, Chapter 257 advance appropriated \$1,000,000 in both FY 2008 and FY 2009 so these monies do not appear in the FY 2009 Capital Outlay Bill.

### **Game and Fish Department**

The budget provides \$2,031,000 from Other Funds in FY 2009 for Arizona Game and Fish Department projects. This amount funds:

Game and Fish Capital Improvement Fund	1,354,000
Game and Fish Fund	237,000
Watercraft Licensing Fund	440,000

*(All Building Renewal and Statewide Facilities Improvements, including preventative maintenance, are funded from the Game and Fish Fund.)*

### **Game and Fish Statewide Projects**

#### **Headquarters Construction**

The budget provides \$80,000 from the Watercraft Licensing Fund in FY 2009 for the Watercraft/Off-Highway Vehicle Division's portion of debt service payments for the Ben Avery headquarters building. The payment would normally be an operating expenditure, but Game and Fish already has an FY 2009 operating appropriation so it will be included in the FY 2010 operating budget. The same amount was appropriated in FY 2008.

The agency has moved to a replacement headquarters at the Ben Avery shooting range. The agency has a privatized lease-to-own agreement for lease back of the facilities over 25 years, with annual payments of approximately \$1,500,000 from the non-appropriated

Wildlife Conservation Fund plus \$80,000 from the Watercraft Licensing Fund.

#### **Boat Shade Canopies**

The budget provides \$120,000 from the Watercraft Licensing Fund in FY 2009 for the construction of 20 boating shade canopies at regional office sites in Kingman and Yuma. These canopies will 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 around \$6,000. In FY 2008, \$195,000 was appropriated for 24 canopies across the state. This is expected to be the last appropriation for this project.

#### **Boat Registration Kiosks**

The budget provides \$240,000 from the Watercraft Licensing Fund in FY 2009 for the construction of boat registration kiosks in areas which are distantly located from departmental regional offices to provide greater access for boating registration. The same amount was appropriated for this project in FY 2008. 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. This is expected to be the last appropriation for this project.

#### **Shooting Range Access**

The budget provides \$150,000 from the Game and Fish Capital Improvement Fund in FY 2009 for continued shooting range access improvements. The same amount was appropriated for this project in FY 2008, and \$200,000 was appropriated in FY 2007. These improvements will partially resurface roadways at the department's 5 shooting ranges, which are generally unpaved or paved to light-duty standards.

#### **Preventative Maintenance**

The budget provides \$30,000 from the Game and Fish Fund in FY 2009 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.

#### **DPS Microwave Communications System**

The budget provides \$207,000 from the Game and Fish Fund in FY 2009 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 2009 Capital Outlay Bill. *(See DPS Microwave Communication System and ADOT capital sections for more information.)*

## Game and Fish Region IV (Yuma) Projects

### **Yuma Regional Office Remodel/Expansion**

The budget provides \$954,000 from the Game and Fish Capital Improvement Fund in FY 2009 for the expansion and renovation of the regional office located in Yuma.

Originally built in 1991, the current office is approximately 6,000 square feet in size. This expansion will 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 \$160, 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 new landscaping. The cost for this improvement is expected to be \$8,500.

## Game and Fish Region VI (Mesa) Projects

### **Mesa Regional Office Paving Project**

The budget provides \$250,000 from the Game and Fish Capital Improvement Fund in FY 2009 for paving in the fleet and equipment storage area of the Mesa Regional Office.

Paving will bring the area into compliance with local dust control ordinances. It will also mitigate on-site drainage problems.

## Legislative Council

### **Capitol Centennial Renovation**

The FY 2007 State Government Budget Reconciliation Bill (BRB) (Laws 2006, Chapter 350) originally appropriated \$2,500,000 from the General Fund in FY 2007 to Legislative Council for a statewide plan, activities, and projects relating to the Arizona centennial celebration. However, Laws 2008, Chapter 313 amends Laws 2006, Chapter 350 to instead appropriate \$500,000 from the General Fund in FY 2007 of which \$450,000 is for Legislative Council and the remaining \$50,000 is for the Arizona Historical Advisory Commission. Legislative Council is to use their \$450,000 appropriation for the costs of the design and site preparation of the State Capitol

Building renovation to commemorate the centennial, while the Arizona Historical Advisory Commission is to use their \$50,000 appropriation for the development and coordination of a statewide plan regarding the state's centennial in 2012. These monies do not appear in the FY 2009 Capital Outlay Bill since they are appropriated for FY 2007.

## Department of Public Safety

### **Microwave Communications System**

The budget provides \$1,500,000 from the General Fund in FY 2009 to the Department of Public Safety (DPS) to upgrade the microwave communications system. The total cost of the project is \$4,500,000. Laws 2006, Chapter 345 advance appropriated \$1,500,000 in FY 2007, FY 2008, and FY 2009 so these monies do not appear in the FY 2009 Capital Outlay Bill. However, Laws 2008, Chapter 53 reverted \$500,000 of the FY 2008 appropriation to the General Fund in FY 2008.

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 above*) 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 Full-Time Equivalent (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 has received \$2,496,800 in federal monies for this purpose so far.

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 FY 2009 to the Office of Tourism for distribution to the City of Yuma to build the Yuma Welcome Center. In combination with prior year funding, a total of \$1,500,000 has been made available for this project.

Laws 2006, Chapter 335 appropriated \$2,000,000 in FY 2007 for the center, while Laws 2007, Chapter 257 advance appropriated \$1,000,000 in both FY 2008 and FY 2009 so these monies do not appear in the FY 2009 Capital Outlay Bill. However, Laws 2008, Chapter 53 reverted \$1,500,000 of the FY 2007 appropriation and \$1,000,000 of the FY 2008 appropriation to the General Fund.

**Department of Veterans' Services**

**Southern Arizona Veterans' Home**

The budget provides \$10,000,000 from the General Fund in FY 2009 to the Department of Veterans' Services for construction of the Southern Arizona State Veterans' Home in Tucson.

Laws 2006, Chapter 356 originally appropriated \$10,000,000 from the General Fund in FY 2007 to fund the construction of the home, however, Laws 2008, Chapter 53 reverted the entire appropriation to the General Fund in FY 2008 and reappropriated the \$10,000,000 back to the department in FY 2009.

The amount provides a 35% match, as required by the U.S. Department of Veterans Affairs in order to receive a grant for the remaining 65% of construction costs. The home will have sufficient capacity to serve 180 veterans and will be located adjacent to the Department of Veterans' Affairs Medical Center.

**Debt Financed Projects**

**ASH and DOC Projects**

Laws 2007, Chapter 257 (FY 2008 Capital Outlay Bill) authorized ADOA to enter into a 15-year \$39,000,000 lease-purchase agreement to fund the following projects:

- \$32,200,000 for the construction of a new forensic unit at the Arizona State Hospital.
- \$6,800,000 for prison water projects at the Lewis, Tucson, Winslow/Apache, and Douglas prison complexes.

Laws 2007, Chapter 261 (FY 2008 Criminal Justice BRB) authorized 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 Joint Committee on Capital Review approved and reviewed both of these lease-purchase agreements at their

December 18, 2007 meeting. Subsequently, ADOA issued the \$239,000,000 in agreements in April 2008. The first debt service payment of \$19,824,000 will begin in FY 2010. The average annual debt service payments will be \$19,822,400 over the first 15 years of the 20-year term. The annual debt service payments would decrease to \$16,053,400 the last 5 years of the term since the prison water and forensic unit projects have terms of 15 years and the prison beds project has a term of 20 years.

**DEMA Operations Center**

The Capital Outlay Bill authorizes ADOA to enter into a 15-year \$7,500,000 lease-purchase agreement, with the first debt payment to be scheduled in FY 2011, to fund the design and construction of a state emergency operations center. The center will be operated by the Department of Emergency and Military Affairs.

**University Capital Projects**

The FY 2009 Education BRB (Laws 2008, Chapter 287) authorizes the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of \$1,000,000,000 to pay for building renewal projects and new facilities. Of that amount, ABOR cannot issue more than \$285,000,000 in FY 2009 and not more than \$500,000,000 in FY 2010. ABOR is required to allocate \$470,000,000 of the proceeds for construction of the University of Arizona Phoenix Biomedical Campus.

The annual debt service payments will be paid from the newly created University Capital Improvement Lease-to-Own and Bond Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues. These monies will be exempt from the university debt limit calculations. *(Please see the Lottery budget narrative pages and Arizona Board of Regents Capital section for more information.)*

**Budget Revisions**

The FY 2008 budget revisions (Laws 2008, Chapter 53) included an \$(18,000,000) reduction in capital spending. Of this amount, \$(11,500,000) reflected the revisions of pre-FY 2008 appropriations. These adjustments are reflected on the statewide Statement of General Fund Revenues and Expenditures as "Statutory Revertments." They include the following adjustments:

Southern Arizona Veterans' Home	\$10,000,000
Yuma Welcome Center	1,500,000

In addition, Chapter 53 reduced the original \$19,934,500 FY 2008 capital outlay budget by \$(6,500,000) for the following adjustments:

Former Health Laboratory Renovation	1,000,000
Yuma Welcome Center	1,000,000
DPS Microwave Communications System	500,000
DOC Prison Door and Lock Replacement	2,000,000
State Archives and History Building	2,000,000

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

JLBC: Bob Hull/Leatta McLaughlin

DESCRIPTION	FY 2009 Approved
<b>BUILDING RENEWAL</b>	
ADOT Building Renewal <sup>1/</sup>	4,208,900
<b>SUBTOTAL</b>	<b>4,208,900</b>
<b>INDIVIDUAL PROJECTS</b>	
Far Southeast Valley Highway Maintenance Yard	2,350,000
De-Icer Buildings	1,825,000
Oil and Asphalt Storage Tanks	1,389,000
Vehicle Wash Systems	2,075,000
DPS Microwave Communications System	826,000
Arizona-Mexico Border Agreements	600,000
Airport Planning and Development <sup>2/</sup>	31,200,000
Statewide Highway Construction <sup>3/</sup>	305,582,000
<b>SUBTOTAL</b>	<b>345,847,000</b>
<b>TOTAL - ALL PROJECTS</b> <sup>4/5/</sup>	<b>350,055,900</b>
<b>FUND SOURCES</b>	
<u>Other Appropriated Funds</u>	
State Aviation Fund	31,356,900
Safety Enforcement and Transportation Infrastructure Fund	600,000
State Highway Fund	318,099,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>350,055,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>350,055,900</b>
<u>Other Non-Appropriated Funds</u>	
Federal Funds	377,108,000
<b>TOTAL - ALL SOURCES</b>	<b>1,099,891,900</b>

**DESCRIPTION** — The Arizona Department of Transportation (ADOT) Building System 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 and the State Aviation Fund.

<sup>1/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2009 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 2009 that are unexpended or unencumbered on June 30, 2010 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> 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)

Unless otherwise specified, funding for capital projects was appropriated by Laws 2008, Chapter 289 (FY 2009 Capital Outlay Bill).

### **Building Renewal**

The budget provides \$4,208,900 for Building Renewal within the ADOT Building System in FY 2009. This amount consists of \$4,052,000 from the State Highway Fund and \$156,900 from the State Aviation Fund. The State Highway Fund amount is for the ADOT Building System and the State Aviation Fund 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.

### **Far Southeast Valley Highway Maintenance Yard**

The budget provides \$2,350,000 from the State Highway Fund in FY 2009 to ADOT to construct new highway maintenance yard facilities at the new far Southeast Valley multi-use facility. The new facilities will include some of the following: a 14,500 square foot MVD customer service center; a 5,000 square foot maintenance office; a 9,600 square foot 8-bay truck storage barn; 2 spreader racks; a loading dock; a truck wash system; a fueling facility; and a 2,400 square foot canopy for equipment storage. The new facilities will accommodate freeway expansion and population growth in the far Southeast Valley.

ADOT was appropriated \$6,701,900 in FY 2008 to purchase 25 acres of land for a new Southeast Valley multi-use facility, including 20 acres for a highway maintenance yard and 5 acres for a new Motor Vehicle

Division (MVD) customer service center. ADOT has not yet purchased the land.

### **De-Icer Buildings**

The budget provides \$1,825,000 from the State Highway Fund in FY 2009 to ADOT to construct 5 new buildings to house de-icer chemicals, bulk sand, and cinders used during winter months to de-ice highways after the snow has been plowed. They will be located at Alpine, Fredonia, Camp Verde, Teec Nos Pos, and Three Way and will replace existing deteriorated facilities and outside storage, and will help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality (DEQ) regarding storm water/waste water. Each de-icer building will cost an estimated \$365,000. ADOT plans to construct additional new de-icer buildings in future years.

### **Oil and Asphalt Storage Tanks**

The budget provides \$1,389,000 from the State Highway Fund in FY 2009 to ADOT to install replacement 10,000 gallon oil and asphalt storage tanks and concrete containment basins at 3 locations (including removal of old storage tanks and containment basins), and new tanks and containment basins at 2 locations which currently lack them. They will be located at Tonopah, Needle Mountain, Many Farms, Kayenta, and Wikieup. The new tanks will help ADOT comply with an environmental agreement with DEQ regarding storm water/waste water. The 5 installations will have an average cost of \$277,800. ADOT plans to install additional new oil and asphalt storage tanks in future years.

### **Vehicle Wash Systems**

The budget provides \$2,075,000 from the State Highway Fund in FY 2009 to ADOT to construct new vehicle wash systems at 5 rural highway maintenance sites statewide, including Globe, Safford, Gila Bend, Douglas, and Chambers. Each vehicle wash system costs \$415,000, or \$346 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. ADOT plans to construct additional new vehicle wash systems in future years.

<sup>3/</sup> 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)

<sup>4/</sup> 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)

<sup>5/</sup> 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)

### DPS Microwave Communications System

The budget provides \$826,000 from the State Highway Fund in FY 2009 to ADOT for the DPS Microwave Communications System authorized in Laws 2006, Chapter 345 (FY 2007 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 2009 Capital Outlay Bill.

### Arizona-Mexico Border Agreements

The budget provides \$600,000 from the Safety Enforcement and Transportation Infrastructure Fund in FY 2009 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.

### Airport Planning and Development

The budget provides \$31,200,000 from the State Aviation Fund for the department's airport construction program in FY 2009. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

### Statewide Highway Construction

Laws 2008, Chapter 289, (the FY 2009 Capital Outlay Bill) provides \$305,582,000 from the State Highway Fund in FY 2009 for highway construction and debt service on bonds. As the result of the enactment of other legislation, a revised estimate of \$190,338,000 is expected to be available for highway construction and debt service. As part of the overall downward reduction, debt service payments are actually expected to increase by \$4,102,000, from \$98,695,000 to \$102,797,000, due to an increase in Highway User Revenue Fund bond proceeds from \$125,000,000 to \$300,000,000.

As part of the revision from \$305,582,000 to \$190,338,000, the overall amount of new Highway Funds available for highway construction would be projected to decline from \$92,420,000 to \$(15,112,000). Since the Highway Fund account cannot literally run a deficit, this \$(15,112,000) will be absorbed by other proceeds and fund balances. *(Please see discussion below and Table 5.)*

The decline in Highway Funds from \$92,420,000 in the Capital Outlay Bill to a revised estimate of \$(15,112,000) is due to the following factors:

- A decrease in estimated Highway User Revenue Fund collections and an increase in DPS HURF spending. These 2 factors reduced available construction funding by \$(66) million.

- An increase in DPS Highway Funding spending of \$31 million
- A transfer of \$8.4 million of Vehicle License Tax to the General Fund.
- An increase of \$4.1 million for debt service.
- An offsetting \$2 million increase due to lower non-highway Capital spending.

Table 1 shows the allocation of the enacted budget and revised amounts related to highway construction.

	Capital Outlay	
	Bill	FY 2009
Highway Construction	\$ 92,420,000	\$(15,112,000)
Controlled Access	114,467,000	102,653,000
Debt Service	<u>98,695,000</u>	<u>102,797,000</u>
<b>Total</b>	<b>\$305,582,000</b>	<b>\$190,338,000</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. *(Please see Footnote 3)* As noted in the HURF distribution table *(Please see Table 5)*, an additional amount of \$844,345,000 from unspent FY 2008 State Highway Fund monies, FY 2009 bond proceeds, and the Statewide Transportation Acceleration Needs Account will also be available in FY 2009. In combination with the \$(15,112,000), a total of \$829,233,000 will be available *(Please see Table 5)*.

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 \$2.41 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 2009 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 20, 2008 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 \$1,607,545,000 for FY 2009, including \$1,364,184,000 for construction and maintenance projects scheduled to begin in FY 2009, and \$243,361,000 for debt service. *(Please see Table 2 for more information.)*

**Table 2**

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

	<b>FY 2009</b>
Construction	\$200,488,000
Urban Controlled Access <sup>1/</sup>	840,590,000
Pavement Preservation Maintenance	132,384,000
Other <sup>2/</sup>	190,722,000
Debt Service <sup>3/</sup>	<u>243,361,000</u>
<b>Total</b>	<b>\$1,607,545,000</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 \$102,797,000 in FY 2009 for State Highway Fund statewide construction bonds; \$59,290,000 for Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds; \$41,714,000 for Maricopa Regional Area Road Fund Bonds; and \$39,560,000 for Grant Anticipation Notes.

### 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 2009, on a cash flow basis as provided by the department. The previous *Table 2*, 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 2009.

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.

### 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. *Table 4* explains the formula distribution of HURF monies between state and local governments. *Table 5* presents the overall HURF distribution for FY 2007 through FY 2009. The line in *Table 5*, 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.

### State Highway Fund Shift

Laws 2007, Chapter 255 appropriated \$62,000,000 in FY 2008 from the State Highway Fund for deposit into the Statewide Transportation Acceleration Needs (STAN) Account of the State Highway Fund. Laws 2008, Chapter 53, transfers \$42,000,000 of the \$62,000,000 appropriation to the Department of Public Safety's State Highway Fund for

highway patrol costs. This transfer was originally enacted as part of the FY 2008 budget revisions and was not continued at the same level in FY 2009.

**Table 3**

**Estimated Highway Construction - Cash Basis**

	<b>FY 2009</b>
<b>Balance Forward <sup>1/</sup></b>	<b>\$690,839,000</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction	\$(15,112,000)
Appropriated Controlled Access Highways (MAG&PAG)	102,653,000
Appropriated Debt Service	102,797,000
Statewide Transportation Acceleration Needs Account <sup>2/</sup>	201,170,000
½ Cent Sales Tax	219,300,000
Federal Aid	725,300,000
HURF Bond Proceeds <sup>3/</sup>	300,000,000
Maricopa Regional Area Road Fund Bond Proceeds <sup>3/</sup>	170,000,000
Grant Anticipation Note Proceeds <sup>3/</sup>	28,000,000
Highway Expansion & Extension Loans (HELP)	203,000
Miscellaneous Income/Expenses <sup>4/</sup>	(9,166,000)
<b>Subtotal - Revenues</b>	<b>\$1,825,145,000</b>
<b>Total Funds Available for Construction</b>	<b>\$2,515,984,000</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	\$102,797,000
HELP Loan Repayments	38,812,000
Other Debt Service (All Other)	140,564,000
<b>Subtotal - Debt Service</b>	<b>\$282,173,000</b>
<b>Planned Construction Expenditures</b>	
Statewide Highway Construction (including PAG)	\$698,000,000
Controlled Access Highways (MAG)	1,093,014,000
<b>Subtotal - Construction Expenditures</b>	<b>\$1,791,014,000</b>
<b>Total Planned Expenditures</b>	<b>\$2,073,187,000</b>
<b>Balance Forward</b>	<b>\$442,797,000</b>

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

<sup>2/</sup> Represents the portion of the appropriations to STAN of \$307,000,000 in FY 2007 and \$62,000,000 in FY 2008 expected to be expended in FY 2009. Laws 2008, Chapter 53, transferred \$42,000,000 of the \$62,000,000 STAN appropriation to the Department of Public Safety in FY 2008 for highway patrol costs.

<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.

**Table 4**

**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.

Table 5

## Highway User Revenue Fund (HURF) Distribution

\$ in Thousands

	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>
<b>Total HURF Collections</b>	1,382,474	1,382,474	1,430,000
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Operating Budget	609	617	617
ADOT - Capital Outlay	0	6,698	0
Dept of Public Safety Transfer from HURF	10,000	10,000	84,950
Dept of Administration - Highway Hazards Assessment <sup>2/</sup>	<u>0</u>	<u>150</u>	<u>0</u>
<b>Net HURF Collections</b>	1,370,865	1,364,009	1,343,433
Less: Cities <sup>3/</sup>	418,114	416,023	409,747
Counties <sup>3/</sup>	260,465	259,162	255,252
Controlled Access <sup>4/</sup>	104,775	104,248	102,653
Vehicle License Tax Transfer to General Fund <sup>5/</sup>	0	0	8,391
Vehicle License Tax Transfer to Parity Compensation Fund <sup>6/</sup>	<u>2,983</u>	<u>2,983</u>	<u>3,086</u>
<b>Net State Highway Fund (Discretionary)</b>	584,528	581,593	564,304
Plus: Other Income <sup>7/</sup>	14,898	15,000	15,000
Less: Operating Budget	387,399	418,167	420,032
Operating Carryovers, Adjustments and Transfer <sup>8/</sup>	2,843	5	5
Capital Outlay and Building Renewal	10,255	17,418	11,691
Capital Non-Lapsing Carryovers	8,925	0	0
Motor Vehicle Third Party Payments <sup>9/</sup>	15,525	16,526	18,014
Dept of Public Safety Transfer from Highway Fund	10,000	52,000	41,051
DPS Microwave Communications System <sup>10/</sup>	826	826	826
Statewide Transportation Acceleration Needs Account <sup>11/12/</sup>	62,000	20,000	0
Debt Service <sup>13/</sup>	<u>73,495</u>	<u>92,724</u>	<u>102,797</u>
<b>Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) <sup>14/</sup></b>	28,158	(21,073)	(15,112)
<b>State Highway Fund Adjustments</b>			
Plus: Discretionary State Highway Fund Beginning Balance <sup>15/</sup>	89,000	78,000	75,000
Controlled Access State Highway Fund Beginning Balance	165,000	162,000	105,000
STAN Account Beginning Balance	0	316,000	304,345
Construction Operating Budget Reimbursements <sup>16/</sup>	58,000	60,000	60,000
Discretionary State Highway Fund Bond Proceeds	300,000	200,000	300,000
Controlled Access State Highway Fund Bond Proceeds	50,000	0	0
Statewide Transportation Acceleration Needs Account <sup>11/</sup>	<u>245,000</u>	<u>0</u>	<u>0</u>
<b>Total Highway Fund Available for Statewide Highway Construction</b>	935,158	794,927	829,233

<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 2008, Chapter 285 transfers the first \$8,390,600 of vehicle license tax for distribution to the State Highway Fund to the General Fund in FY 2009

<sup>6/</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>7/</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>8/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>9/</sup> Statutory payments to third parties from vehicle license taxes collected by third parties.

<sup>10/</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>11/</sup> Laws 2006, Chapter 344, appropriated \$307,000,000 in FY 2007 for deposit in the Statewide Transportation Acceleration Needs Account (STAN) of the State Highway Fund, including \$62,000,000 from the State Highway Fund and \$245,000,000 from the General Fund.

<sup>12/</sup> Laws 2007, Chapter 255, appropriated \$62,000,000 from the State Highway Fund in FY 2008 for deposit in the STAN Account of the State Highway Fund. Laws 2008, Chapter 53, transferred \$42,000,000 of the \$62,000,000 to the Department of Public Safety in FY 2008 for highway patrol costs.

<sup>13/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>14/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

<sup>15/</sup> Includes \$60,000,000 Board Funding Obligations borrowings.

<sup>16/</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: Leatta McLaughlin/Leah Kritzer

**FY 2009**  
**Approved**

**DEBT FINANCED PROJECT**

University Capital Projects	0
<b>TOTAL</b>	<b>0</b>

**FUND SOURCES**

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.

**Debt Financed Project**

**University Capital Projects**

The FY 2009 Education Budget Reconciliation Bill (Laws 2008, Chapter 287) authorizes ABOR to enter into lease-to-own and bond transactions up to a maximum of \$1,000,000,000 to pay for building renewal projects and new facilities. Of that amount, ABOR cannot issue more than \$285,000,000 in FY 2009 and not more than \$500,000,000 in FY 2010.

Chapter 287 requires ABOR to allocate \$470,000,000 of the proceeds for construction of the University of Arizona Phoenix Biomedical Campus. The legislation permits ABOR to determine the distribution of the remaining funds. Of the remaining \$530,000,000 in proceeds, ABOR plans on allocating \$20,000,000 to Arizona State University's School of Construction and \$170,000,000 to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

The annual debt service payments will be paid from the newly created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287. Due to the elimination of the Lottery's advertising cap in Chapter 287 and other procedural changes, the Lottery Commission expects to increase sales to pay for a deposit to the UCI Fund in FY 2009 and for their 80% portion of the annual debt service payments in FY 2010 and beyond. (Please see the Lottery budget narrative pages for more information.)

The debt service payments are expected to begin in FY 2010. Table 1 shows the debt service payments for FY 2010 to FY 2013 as projected by the Lottery Commission. The annual debt service payments are expected to remain at the \$66,419,900 amount for 24 years after FY 2013.

	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>FY 13</b>
Income Available <sup>1/</sup>	<u>\$13.6</u>	<u>\$26.5</u>	<u>\$41.1</u>	<u>\$48.5</u>
<b>Debt Service</b>				
Lottery (80%) <sup>2/</sup>	13.8	25.4	41.6	53.1
Univ. Rev. (20%) <sup>3/</sup>	<u>3.4</u>	<u>6.4</u>	<u>10.4</u>	<u>13.3</u>
<b>TOTAL DEBT SERVICE</b>	\$17.2	\$31.8	\$52.0	\$66.4

<sup>1/</sup> Represents projected Lottery income available to UCI Fund.  
<sup>2/</sup> Represents projected debt service payment from Lottery proceeds.  
<sup>3/</sup> Represents projected debt service payment from university system revenues.

After all Lottery revenue beneficiaries have received their statutory distributions, Chapter 287 requires up to \$20,000,000 to be deposited into the UCI Fund in FY 2009. Lottery is estimating that this fund will receive about \$12,700,000 in FY 2009.

After FY 2009, the additional Lottery revenues will be used for the debt service payments. If the Lottery is not able to generate enough additional sales revenue to meet its current statutory obligations and its portion of the annual debt service payments, the UCI's fund balance can be drawn down to \$10,000,000 in order to make the annual debt service payments. For example, the UCI Fund is projected to receive \$13,600,000 in Lottery revenue in FY 2010. In comparison, Lottery's 80% share of the \$17,200,000 debt service payment is projected to be \$13,800,000. This difference would be funded by reducing the balance in the UCI Fund (the \$12,700,000 expected to be deposited in FY 2009).

Chapter 287 also provides that the monies distributed from the UCI Fund are exempt from the university debt limit calculations. However, each university will be required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.