

Capital Outlay

Arizona Department of Transportation Building System

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DESCRIPTION	FY 2010 JLBC
BUILDING RENEWAL	
ADOT Building Renewal	1,050,000
SUBTOTAL	1,050,000
INDIVIDUAL PROJECTS	
Controlled Access Highways	85,498,000
Debt Service	101,813,000
Statewide Highway Construction	539,000
Airport Planning and Development	27,128,000
SUBTOTAL	214,978,000
TOTAL - ALL PROJECTS	216,028,000
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	27,178,000
State Highway Fund	188,850,000
SUBTOTAL - Other Appropriated Funds	216,028,000
SUBTOTAL - Appropriated Funds	216,028,000
Other Non-Appropriated Funds	420,853,000
Federal Funds	552,692,000
TOTAL - ALL SOURCES	1,189,573,000

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.

The following amounts reflect one-time appropriations.

Building Renewal OF \$1,050,000

The JLBC includes \$1,050,000 for Building Renewal within the ADOT Building System in FY 2010. This amount consists of \$1,000,000 from the State Highway Fund and \$50,000 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.

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 amounts represent 12% funding of the revised highways building renewal formula and 31% funding of the aviation building renewal formula.

On November 13, 2008, the Joint Committee on Capital Review gave a favorable review of \$984,700 to fund 115 highways and aviation building renewal projects in FY 2009. These were projects which ADOT had identified as high priority and which represented 23% of

the \$4,208,900 approved FY 2009 building renewal amount.

Controlled Access Highways OF 85,498,000

The JLBC includes \$85,498,000 from the State Highway Fund for the Highway User Revenue Fund formula dedicated to the construction of urban freeways in FY 2010. The Maricopa Association of Governments (MAG) receives 75% and the Pima County Association of Governments (PAG) receives 25%.

Debt Service OF 101,813,000

The JLBC includes \$101,813,000 from the State Highway Fund for the appropriated portion of the debt service on bonds in FY 2010. ADOT has approximately \$2.6 billion in outstanding bonds and other long-term debt. The amount represents the appropriated component of debt service. (See Table 2 for more information on debt service.)

Statewide Highway

Construction OF 539,000

The JLBC includes \$539,000 from the State Highway Fund for highway construction in FY 2010. Please see *Table 5* for the Highway User Revenue Fund (HURF) Distribution analysis, which shows that \$539,000 of net State Highway Fund monies will be available for statewide highway construction in FY 2010 from the FY 2010 HURF revenue cash flow. Only a small portion of the state's total \$1.8 billion highway construction funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, and HURF for controlled access roads. (*See Total Highway Construction Funding discussion and Table 3 in Other Issues for Legislative Consideration for more information.*)

The expenditure of these monies is determined by the Transportation Board, which develops a 5-year plan. The JLBC includes no monies for the Statewide Transportation Acceleration Needs (STAN) Account of the State Highway Fund in FY 2010. No deposit was made to the STAN Account from the State Highway Fund in FY 2009. (*See Other Issues for Legislative Consideration for further discussion of the STAN Account.*)

Airport Planning and Development

OF 27,128,000

The JLBC includes \$27,128,000 from the State Aviation Fund for the department's airport construction program in FY 2010. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

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FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2010 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 2010 that are unexpended or unencumbered on June 30, 2011 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.

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.

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.

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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Statewide Transportation Acceleration Needs Account

The State Transportation Board uses monies in the STAN Account of the State Highway Fund 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 STAN 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 an agreement known as the “Casa Grande Accord” - 37% for Maricopa County, 13% for Pima County, and 50% for all other counties.

The department reports that the STAN Account had a balance of \$253,000,000, including deposits of \$355,500,000 and expenditures of \$102,500,000 as of December 26, 2008. There were 14 approved STAN Account projects with a total cost of \$339,500,000, including costs of \$193,400,000 for 7 Maricopa County projects, \$50,600,000 for 4 Pima County projects, \$75,500,000 for 1 Pinal County project, \$10,000,000 for the Transportation Acceleration Interest Reimbursement Account, and \$10,000,000 for the Roads of Regional Significance Congestion Mitigation Account. The \$102,500,000 of total expenditures included expenditures of \$20,800,000 for Maricopa County, \$45,300,000 for Pima County, \$29,700,000 for Pinal County, \$1,700,000 for the Transportation Acceleration Interest Reimbursement Account, and \$5,000,000 for the Roads of Regional Significance Congestion Mitigation Account.

State Transportation Board Funding Obligations

State Transportation Board Funding Obligations (BFOs) are loans totaling up to \$200,000,000 from the General Fund operating balance to the department, as authorized by statute. BFOs are statutorily capped at \$200,000,000. The \$200,000,000 includes \$60,000,000 to the State Highway Fund and \$140,000,000 to the Highway Expansion and Extension Loan Program (HELP) Fund.

Statute requires that the State Treasurer notify the State Transportation Board and ADOT Director in writing when General Fund operating monies fall below \$400,000,000. The State Treasurer notified ADOT October 23, 2008 that General Fund operating monies had dropped below \$400,000,000. By statute, the State Treasurer may call the BFOs in \$25,000,000 increments 15 days after notifying the State Transportation Board and ADOT Director that operating monies have fallen below \$200,000,000.

ADOT has a total of \$110,000,000 of outstanding BFOs as of December 2008, including \$60,000,000 to the State Highway Fund and \$50,000,000 to the HELP Fund.

Summary of Non-Appropriated Capital Funds

Expended

Table 1 provides a summary of non-appropriated capital funds expended. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget section. This latter section does not include the non-appropriated capital expenditures as those only appear in Table 1.

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, HURF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$1,591,814,000 for FY 2010, including \$1,309,807,000 for construction and maintenance projects scheduled to begin in FY 2010, and \$282,007,000 for debt service. The \$1,309,807,000 in newly-begun projects will be expended over several fiscal years. For details please see Table 2.

Total Highway Construction Funding

Table 3 summarizes all estimated revenues and expenditures for FY 2010, on a cash flow basis as provided by the department. Table 3 includes cash flow revenue of \$74,089,000 from the STAN Account, which represents the portion of the appropriations to the STAN Account of \$307,000,000 in FY 2007 and \$20,000,000 in FY 2008 expected to be expended in FY 2010. 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 2010.

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

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 2008 through FY 2010. 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.

	FY 2008	FY 2009	FY 2010
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 2,959	\$ 2,250	\$ 5,907
Federal Grants	<u>510,430</u>	<u>532,906</u>	<u>546,785</u>
Subtotal – Federal Funds	513,389	535,156	552,692
Economic Strength Project Fund	896	1,000	1,000
Highway Expansion and Extension Loan Program Fund	42,223	38,721	38,721
Local Agency Deposits Fund	49,086	36,000	36,000
Maricopa Regional Area Road Fund	<u>314,544</u>	<u>345,132</u>	<u>345,132</u>
Subtotal – Other Non-Appropriated Funds	406,749	420,853	420,853
Total	\$920,138	\$956,009	\$973,545

	FY 2010
Construction	\$ 266,190,000
Urban Controlled Access ^{1/}	704,068,000
Pavement Preservation Maintenance	130,000,000
Other ^{2/}	209,549,000
Debt Service ^{3/}	<u>282,007,000</u>
Total	\$1,591,814,000

^{1/} Includes expenditures from the HURF for controlled access and from the Maricopa Regional Area Road Fund.

^{2/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

^{3/} Information provided by the department. Includes \$101,813,000 for State Highway Fund statewide construction bonds; \$60,702,000 for HURF, MAG, and PAG controlled access bonds; \$69,571,000 for Maricopa Regional Area Road Fund Bonds; and \$49,921,000 for Grant Anticipation Notes.

	FY 2010
Balance Forward ^{1/}	\$ 516,797,000
Revenues	
Appropriated Statewide Highway Construction ^{2/}	\$539,000
Appropriated Controlled Access Highways (MAG & PAG)	85,498,000
Appropriated Debt Service	101,813,000
Statewide Transportation Acceleration Needs Account ^{3/}	74,089,000
½ Cent Sales Tax	229,000,000
Federal Aid	670,800,000
HURF Bond Proceeds ^{4/}	15,000,000
Maricopa Regional Area Road Fund Bond Proceeds ^{4/}	270,000,000
Grant Anticipation Note Proceeds ^{4/}	152,000,000
Miscellaneous Income/Expenses ^{5/}	24,326,000
Subtotal - Revenues	<u>\$1,623,065,000</u>
Total Funds Available for Construction	\$2,139,862,000
Debt Service Expenditures	
Appropriated Debt Service	\$101,813,000
HELP Loan Repayments	3,035,000
Other Debt Service (All Other)	<u>180,194,000</u>
Subtotal - Debt Service	\$285,042,000
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$ 693,000,000
Controlled Access Highways (MAG)	<u>819,711,000</u>
Subtotal - Construction Expenditures	<u>\$1,512,711,000</u>
Total Planned Expenditures	\$1,797,753,000
Balance Forward	\$342,109,000

^{1/} Includes unexpended bond proceeds for bonds issued in prior years.

^{2/} No net State Highway Fund monies will be available for statewide highway construction in FY 2010 from the FY 2010 HURF revenue cash flow.

^{3/} Represents the portion of the appropriations to the STAN Account expected to be expended in FY 2010, including \$61,500,000 in Maricopa County, \$2,837,000 in Pima County, and \$9,752,000 in the other counties.

^{4/} Proceeds reflect a cash expenditure basis.

^{5/} 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.

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.676%
State Highway Fund ^{1/}	<u>42.824%</u>
Total	100.0%

^{1/} 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)

	FY 2008	FY 2009	FY 2010
	<u>Actual</u>	<u>Estimate</u>	<u>JLBC</u>
Total HURF Collections ^{1/}	\$1,344,477	\$1,300,000	\$1,308,000
Less: Economic Strength Fund ^{2/}	1,000	1,000	1,000
ADOT - MVD Operating Budget	584	617	102,558
Dept. of Public Safety (DPS) Transfer from HURF	10,000	84,950	84,950
Dept. of Administration - Highway Hazards Assessment ^{3/}	<u>150</u>	<u>0</u>	<u>0</u>
Net HURF Collections	1,332,743	1,213,433	1,119,492
Less: Cities ^{4/}	404,434	370,097	341,445
Counties ^{4/}	251,942	230,552	212,703
Controlled Access ^{5/}	101,342	92,711	85,498
Vehicle License Tax Transfer to General Fund ^{6/}	0	8,391	8,391
Vehicle License Tax Transfer to Parity Compensation Fund ^{7/}	<u>2,913</u>	<u>2,840</u>	<u>2,857</u>
Net State Highway Fund (Discretionary)	572,112	508,842	468,598
Plus: Other Income ^{8/}	14,717	14,200	14,200
Less: Operating Budget	408,357	420,036	321,639
Operating Carryovers, Adjustments and Transfers ^{9/}	5	5	5
Capital Outlay and Building Renewal	7,405	11,691	1,000
Motor Vehicle Third Party Payments ^{10/}	16,305	17,339	16,751
DPS Transfer from Highway Fund	52,000	41,051	41,051
DPS Microwave Communications System ^{11/}	826	826	0
Statewide Transportation Acceleration Needs (STAN) Account ^{12/}	20,000	0	0
Debt Service ^{13/}	<u>76,951</u>	<u>102,000</u>	<u>101,813</u>
Net Highway Fund Available for Statewide Highway Const. (5-Year Plan) ^{14/}	4,980	(69,906)	539
State Highway Fund Adjustments			
Plus: Discretionary State Highway Fund Beginning Balance	93,000	77,000	77,000
Controlled Access State Highway Fund Beginning Balance	152,000	155,000	110,000
STAN Account Beginning Balance	319,000	279,000	78,000
Construction Operating Budget Reimbursements ^{15/}	60,000	60,000	60,000
Discretionary State Highway Fund Bond Proceeds	<u>200,000</u>	<u>300,000</u>	<u>15,000</u>
Total Highway Fund Available for Statewide Highway Construction	\$ 828,980	\$ 801,094	\$ 340,539

1/ ADOT estimates that total HURF collections could be below \$1,300,000,000 in FY 2009, based on collections through October 2008.

2/ Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.

3/ Laws 2007, Chapter 255 appropriated \$150,000 from HURF to the Department of Administration in FY 2008 to contract for an outside review of the state's highways for potential hazards.

4/ A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

5/ 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.

6/ 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. The FY 2010 JLBC Baseline assumes this transfer will continue.

7/ 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.

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

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

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

11/ Laws 2006, 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 DPS for the design, construction and implementation of a microwave communications system upgrade.

12/ 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 DPS in FY 2008 for highway patrol costs.

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

14/ Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction. To eliminate the negative \$(69,906,000) State Highway Fund balance in FY 2009, ADOT has self-imposed an operating budget reduction of at least 8% and a freeze on capital outlay and building renewal expenditures.

15/ Construction operating budget monies reimbursed from Federal Funds, Maricopa Regional Area Road Fund and bond monies.