Capital Outlay

Arizona Department of Transportation Building System

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	FY 2011 BASELINE
BUILDING RENEWAL	
ADOT Building Renewal	1,050,000
SUBTOTAL	**1,050,000**
INDIVIDUAL PROJECTS	
Airport Planning and Development	22,477,700
Controlled Access Highways	85,831,000
Debt Service	94,763,000
Statewide Highway Construction	0
SUBTOTAL	**203,071,700**
TOTAL - ALL PROJECTS	**204,121,700**
FUND SOURCES	
Other Appropriated Funds	
State Aviation Fund	22,527,700
State Highway Fund	181,594,000
SUBTOTAL - Other Appropriated Funds	204,121,700
SUBTOTAL - Appropriated Funds	**204,121,700**
Other Non-Appropriated Funds	251,717,000
Federal Funds	618,971,000
TOTAL - ALL SOURCES	1,074,809,700

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 Baseline includes $1,050,000 for Building Renewal within the Arizona Department of Transportation (ADOT) Building System in FY 2011. This amount consists of $1,000,000 from the State Highway Fund (SHF) and $50,000 from the State Aviation Fund. The SHF 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 11% funding of the revised highways building renewal formula and 37% funding of the aviation building renewal formula.

Airport Planning and Development OF 22,477,700
The Baseline includes $22,477,700 from the State Aviation Fund for the department's airport construction program in FY 2011. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

Controlled Access Highways OF 85,831,000
The Baseline includes $85,831,000 from SHF for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways in FY 2011. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service OF 94,763,000
The Baseline includes $94,763,000 from SHF for the appropriated portion of the debt service on bonds in FY 2011. ADOT has approximately $2.9 billion in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2011 debt service payments. *(See Table 2 for more information on debt service.)*

Statewide Highway Construction OF 0
The Baseline includes no new SHF contribution for highway construction in FY 2011. Please see *Table 5* for the HURF Distribution analysis, which shows that $(25,765,000) of net SHF monies will be available for statewide highway construction in FY 2011 from the FY 2011 HURF revenue cash flow. Since SHF cannot

literally run a deficit, this $(25,765,000) will be absorbed by other proceeds balances. 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 SHF, Federal Funds, the Maricopa Regional Area Road Fund, and HURF for controlled access roads. *(See the Total Highway Construction Funding discussion and Table 3 in Other Issues for Legislative Consideration for additional information.)*

Expenditure of highway construction funding is determined by the Transportation Board, which develops a 5-year plan.

The Baseline includes no funding for the Statewide Transportation Acceleration Needs Account (STAN) of SHF in FY 2011. No deposits were made to STAN in FY 2009 or FY 2010. *(See the STAN discussion in Other Issues for Legislative Consideration for further discussion.)*

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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 2011 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. All 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 2011 that are unexpended or unencumbered on June 30, 2012 shall revert to the fund from which the monies were appropriated.

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.

Deletion of Prior Years Footnotes
Building Renewal
The Baseline would delete building renewal footnotes with the following provisions:

- Allows 25% or less of the monies to be spent on Americans with Disabilities Act modifications.
- Allows ADOT to allocate $275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions.
- Requires identifying energy efficient systems in the building renewal expenditure plan.

(These footnotes would be deleted due to the limited amount of building renewal funding included in the Baseline.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Statewide Transportation Acceleration Needs Account
The State Transportation Board uses monies in the STAN Account of SHF 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. STAN monies are divided 60% for Maricopa County, 16% for Pima County, and 24% for all other counties. In contrast, ADOT divides net SHF 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.

ADOT reports that as of November 30, 2009, STAN had a balance of $68,186,500. This balance reflects $32,852,300 in earned interest and $187,665,800 in disbursements. There were originally 14 approved STAN 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. ADOT reports that as a result of a FY 2009 transfer of $104,000,000 from STAN

to the General Fund, STAN funding for 3 projects in Maricopa County was eliminated. The remaining 11 projects across the state are currently underway.

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. This amount includes $60,000,000 to SHF 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 the ADOT Director in writing when General Fund operating monies fall below $400,000,000. The State Treasurer notified ADOT on October 23, 2008 that General Fund operating monies dropped below the $400,000,000 threshold. By statute, the State Treasurer may call the BFOs in $25,000,000 increments 15 days after notifying the State Transportation Board and the ADOT Director that operating monies have fallen below $200,000,000. On April 15, 2009, $110,000,000 in outstanding BFOs were recalled by the State Treasurer. Currently, the department has no additional outstanding BFOs. *(See the Statutory Changes for additional information.)*

Summary of Non-Appropriated Capital Funds Expended
Table 1 provides a summary of non-appropriated capital funds expenditures. 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 19, 2009 includes monies from SHF, Federal Funds, the Maricopa Regional Area Road Fund, HURF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals $1,754,932,000 for FY 2011, including $1,391,082,000 for construction and maintenance projects scheduled to begin in FY 2011, and $363,850,000 for debt service. *(See Table 2 for additional details.)*

Total Highway Construction Funding
Only a small portion of the state's total highway construction funding is appropriated. *Table 3* summarizes all estimated revenues and expenditures for FY 2011, on a cash flow basis as provided by ADOT. *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 2011.

Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of the 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 2009 through FY 2011. The line in *Table 5*, which shows Net SHF 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 SHF to fund the State Transportation Board's 5-Year Plan.

Total FY 2009 HURF collections of $1,248,583,000 were (7.1)% below FY 2008 and (10)% below the department's original estimate of $1,387,000,000. This downward trend has continued so far in FY 2010 and, as of November 2009, HURF collections are down (8.3)% as compared to the prior year. As a result, the JLBC Staff forecasts a (5)% decline in total HURF revenue collections in FY 2010 followed by a 1.5% increase in FY 2011.

The downward trend in HURF collections is due to a variety of factors related to the general economic downturn. Even with lower fuel prices, consumers have been driving less. Lower population growth has also contributed to fewer miles driven, as well as reduced vehicle license tax and registration fee growth. Additionally, motor carrier fees are down due to the continued trend of fewer registered commercial vehicles.

Table 1

Non-Appropriated Capital Funds Expended
($ in Thousands)

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Baseline
Aviation Federal Funds	$ 3,875	$ 7,083	$ 2,688
Federal Grants	598,333	616,283	616,283
Subtotal – Federal Funds	**602,208**	**623,366**	**618,971**
Economic Strength Project Fund	1,053	1,019	1,019
Highway Expansion and Extension Loan Program Fund	4,013	0	0
Local Agency Deposits Fund	38,977	36,000	36,000
Maricopa Regional Area Road Fund	215,145	208,847	214,698
Subtotal – Other Non-Appropriated Funds	**259,188**	**245,866**	**251,717**
Total	**$861,396**	**$869,232**	**$870,688**

Table 2

Highway Construction Projects Beginning in FY 2011 and Debt Service Payments

	FY 2011
Construction	$ 145,847,000
Urban Controlled Access 1/	970,324,000
Pavement Preservation Maintenance	135,000,000
Other 2/	139,911,000
Debt Service 3/	363,850,000
Total	**$1,754,932,000**

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 $94,763,000 for SHF statewide construction bonds; $60,967,000 for HURF, MAG, and PAG controlled access bonds; $107,551,000 for Maricopa Regional Area Road Fund Bonds; and $100,569,000 for Grant Anticipation Notes.

Table 3

Estimated Highway Construction - Cash Basis

	FY 2011
Balance Forward 1/	**$ 694,845,000**
Revenues	
Appropriated Statewide Highway Construction 2/	0
Appropriated Controlled Access Highways (MAG & PAG)	85,831,000
Appropriated Debt Service	94,763,000
STAN 3/	0
½ Cent Sales Tax	180,900,000
Federal Aid 4/	772,800,000
Maricopa Regional Area Road Fund Bond Proceeds 5/	510,000,000
Grant Anticipation Note Proceeds 5/	60,000,000
Miscellaneous Income/Expenses 6/	5,085,000
Subtotal - Revenues	$1,709,379,000
Total Funds Available for Construction	**$2,404,224,000**
Debt Service Expenditures	
Appropriated Debt Service	$ 94,763,000
Other Debt Service (All Other)	269,087,000
Subtotal - Debt Service	$ 363,850,000
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	$518,000,000
Controlled Access Highways (MAG)	918,911,000
Subtotal - Construction Expenditures	$1,436,911,000
Total Planned Expenditures	**$1,800,761,000**
Balance Forward	**$ 603,463,000**

1/ Includes unexpended bond proceeds for bonds issued in prior years.
2/ The overall amount of new SHF available for highway construction is projected to be $(25,765,000). Since SHF cannot literally run a deficit, this amount is shown as $0.
3/ All monies in the STAN Account of SHF are estimated to be expended in FY 2010.
4/ Includes $94,700,000 in American Recovery and Reinvestment Act funds.
5/ Proceeds reflect a cash expenditure basis.
6/ 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 1/	7.676%
State Highway Fund 1/	42.824%
Total	**100.0%**

1/ A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF 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 SHF 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 2009 Actual	FY 2010 Estimate	FY 2011 Baseline
Total HURF Collections		$1,248,583	$1,186,154	$1,203,946
Less:	Economic Strength Fund [1/]	1,000	1,000	1,000
	ADOT - MVD Operating Budget	617	620	620
	Dept. of Public Safety (DPS) Transfer from HURF	84,950	78,626	78,626
Net HURF Collections		1,162,016	1,105,908	1,123,700
Less:	Cities [2/]	354,415	337,302	342,729
	Counties [2/]	220,783	210,122	213,503
	Controlled Access [3/]	88,898	84,475	85,831
	Vehicle License Tax (VLT) Transfer to General Fund [4/]	66,989	43,171	43,171
	VLT Transfer to Parity Compensation Fund [5/]	1,962	2,730	2,791
Net SHF (Discretionary)		428,969	428,108	435,675
Plus:	Other Income [6/]	17,595	14,200	14,300
Less:	Operating Budget	363,660	322,400	322,400
	Operating Carryovers, Adjustments and Transfers [7/]	5	5	5
	Capital Outlay and Building Renewal	920	1,000	1,000
	Motor Vehicle Third Party Payments [8/]	16,060	15,959	16,316
	DPS Transfer from Highway Fund	41,051	41,256	41,256
	DPS Microwave Communications System [9/]	826	0	0
	Debt Service [10/]	92,672	94,371	94,763
Net SHF Available for Statewide Highway Const. (5-Year Plan) [11/]		(68,630)	(32,683)	(25,765)
SHF Adjustments				
Plus:	Discretionary SHF Beginning Balance	17,000	7,000	7,000
	Controlled Access SHF Beginning Balance	155,000	119,000	182,000
	STAN Beginning Balance	304,346	101,413	0
	Construction Operating Budget Reimbursements [12/]	60,000	60,000	60,000
	Discretionary SHF Bond Proceeds	187,908	0	0
Total Highway Fund Available for Statewide Highway Construction		$ 655,624	$ 254,730	$ 223,235

1/ Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.
2/ A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
3/ A statutorily defined distribution of SHF 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.
4/ VLT transfers in FY 2009 included a $2,974,200 building renewal transfer, a $32,288,700 non-highway capital transfer, a Fund Reduction and Transfer (FRAT) of $21,001,800, a $8,390,600 VLT transfer, and $2,333,300, which was estimated to be the revenue generated by the 5-year renewal registration option. In FY 2010, the $43,170,600 VLT transfer includes a FRAT of $28,000,000, a Highway Patrol Vehicle Replacement HURF transfer to DPS of $6,780,000, and a $8,390,600 VLT transfer. The Baseline assumes these transfers continue in FY 2011.
5/ Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.
6/ Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. In FY 2009 only, this amount also includes $3,394,700 in transfers from the Safety Enforcement and Transportation Infrastructure Fund to SHF.
7/ Includes $5,000 annual transfer to Legislative Council for multistate highway transportation agreement.
8/ Statutory payments to third parties from VLT collected by third parties.
9/ Laws 2006, Chapter 345 appropriated $826,000 from SHF 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.
10/ Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
11/ Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.
12/ Construction operating budget monies reimbursed from Federal Funds, Maricopa Regional Area Road Fund and bond monies.