

Capital Outlay Summary

	FY 2012 BASELINE
BUILDING RENEWAL	
ADOA Building System	5,601,300
ADOT Building System	1,050,000
ABOR Building System	0
SUBTOTAL	6,651,300
INDIVIDUAL PROJECTS	
ADOA Building System	1,030,000
ADOT Building System	232,278,400
ABOR Building System	0
SUBTOTAL	233,308,400
LEASE-PURCHASE PAYMENTS	
Leaseback Obligations	49,050,700
TOTALS	
ADOA Building System	55,682,000
ADOT Building System	233,328,400
ABOR Building System	0
TOTAL - ALL PROJECTS	289,010,400
FUND SOURCES	
General Fund	49,050,700
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	5,000,000
Game and Fish Fund	552,100
Game and Fish Capital Improvement Fund	1,000,000
State Aviation Fund	22,350,400
State Highway Fund	210,978,000
State Lottery Fund	79,200
SUBTOTAL - Other Appropriated Funds	239,959,700
SUBTOTAL - Appropriated Funds Less Debt and Lease-Purchase Financing Projects	239,959,700
SUBTOTAL - Appropriated Funds	289,010,400
Other Non-Appropriated Funds	312,567,000
Federal Funds	635,722,000
TOTAL - ALL SOURCES	1,237,299,400

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital stock, which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

The following amounts are one-time appropriations.

	FY 2012
Capital Outlay	GF \$49,050,700
	OF 239,959,700

The Baseline includes a total of \$289,010,400 from Appropriated Funds in FY 2012. Of the total, \$49,050,700 is from the General Fund and \$239,959,700 is from Other Appropriated Funds. The budget consists of 3 main

categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

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. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are

administered by ADOA or individual agencies within the ADOA Building System that have their own funding source for building renewal, ADOT, and ABOR for their respective building systems.

The Baseline includes total funding of \$6,651,300 for Building Renewal in FY 2012, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	
Capital Outlay Stabilization Fund @ 13%	5,000,000
Game and Fish Fund @ 100%	522,100
State Lottery Fund @ 100%	<u>79,200</u>
Subtotal - ADOA	\$5,601,300

Arizona Department of Transportation	
State Highway Fund @ 10.6%	\$1,000,000
State Aviation Fund @ 30.9%	<u>50,000</u>
Subtotal - ADOT	\$1,050,000

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

Individual Projects

The Baseline includes a total of \$233,308,400 for individual capital projects in FY 2012, which is from Other Appropriated Funds. *(See the individual building systems write-ups for more information.)*

Lease-Purchase Payments

The Baseline includes \$49,050,700 from the General Fund for interest-only lease-purchase agreement payments in FY 2012. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

FOOTNOTES

Capital Standard Footnotes

Building Renewal

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2012 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. 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 2012 that are unexpended or unencumbered on June 30, 2013 shall revert to the fund from which the monies were appropriated.

Individual Projects

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

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.

Capital Outlay

Arizona Department of Administration Building System

FY 2012
BASELINE

BUILDING RENEWAL

Arizona Department of Administration	5,000,000
Game and Fish Department	522,100
Arizona Lottery Commission	79,200
SUBTOTAL	5,601,300

INDIVIDUAL PROJECTS

Game and Fish

Property Maintenance	500,000
Dam Maintenance	500,000
Preventative Maintenance	30,000
SUBTOTAL	1,030,000

TOTAL - ALL PROJECTS

6,631,300

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	5,000,000
Game and Fish Fund	552,100
Game and Fish Capital Improvement Fund	1,000,000
State Lottery Fund	79,200
SUBTOTAL - Other Appropriated Funds	6,631,300
SUBTOTAL - Appropriated Funds	6,631,300

TOTAL - ALL SOURCES

6,631,300

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 2012 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

The following amounts are one-time appropriations:

Building Renewal

FY 2012

Building Renewal OF \$5,601,300

The Baseline includes \$5,601,300 from Other Appropriated Funds for Building Renewal within the ADOA Building System in FY 2012. This amount consists of:

- \$5,000,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA to fund 13% of the building renewal formula. *(Please see the Other Issues for Legislative Consideration section for more information.)* In FY 2011, the formula was funded at \$5,000,000, or 15%, of which \$4,000,000 was General Fund and \$1,000,000 was COSF.
- \$522,100 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.

- \$79,200 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 Baseline would continue the footnote that allows 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, 2013.

Game and Fish Department

The Baseline includes \$1,030,000 from Other Appropriated Funds for Arizona Game and Fish Department projects in FY 2012. This amount consists of:

Game and Fish Capital Improvement Fund	1,000,000
Game and Fish Fund	30,000

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

Game and Fish Statewide Projects

Property Maintenance OF 500,000

The Baseline includes \$500,000 from the Game and Fish Capital Improvement Fund for the maintenance of commission owned or operated properties in FY 2012. There are a total of 351 projects with an average cost of \$1,500. Projects will be prioritized and implemented by the Game and Fish Department.

Dam Maintenance OF 500,000

The Baseline includes \$500,000 from the Game and Fish Capital Improvement Fund for maintenance, repairs, and modifications in compliance with dam safety regulations in FY 2012. The department operates 37 dams. Maintenance will be performed on specific problems related to 7 dams while 30 dams will receive maintenance due to leakage, vegetation, or safety concerns.

Preventative Maintenance OF 30,000

The Baseline includes \$30,000 from the Game and Fish Fund to provide funding for preventative maintenance in FY 2012. 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.

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Building Renewal: The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund.

Individual Projects: The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request.

The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2011.

STATUTORY CHANGES

The Baseline would:

- As session law, change the FY 2012 COSF rental rate from \$21.02/square foot to \$15.08/square foot for office space and from \$7.62/square foot to \$5.47/square foot for storage space. (Please see the *Other Issues for Legislative Consideration* section for more information.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

COSF Rental Rate Change & Payment Savings

The FY 1992 lease-purchase agreement that was refinanced in FY 2002 was paid off in FY 2011. The completion of the lease-purchase payments will result in FY 2012 savings of \$(25,953,300), including \$(17,079,000) from the General Fund. The properties associated with this lease-purchase agreement will become state-owned property and COSF rent will begin to be paid to ADOA on the properties beginning in FY 2012. All other lease-purchase payments will decline by \$(909,600) in FY 2012, including \$(1,588,500) from the General Fund. (Please see the *Capital Outlay Debt and Lease-Purchase Financing* narrative for more information.)

In FY 2011, a total of \$20,126,800 will be paid to ADOA for COSF rent. The current rental rate for state-owned space is \$21.02/square foot for office space and \$7.62/square foot for storage space.

In FY 2011, ADOA was appropriated a total of \$5,000,000 for Building Renewal, of which \$4,000,000 was from the General Fund and \$1,000,000 from COSF. The Baseline assumes that Building Renewal will be funded at \$5,000,000 in FY 2012, which will be entirely COSF. In order to fund the \$4,000,000 COSF increase for Building Renewal in FY 2012, COSF collections would need to increase by \$4,000,000 above the FY 2011 \$20,126,800 amount.

However, converting the FY 1992 lease-purchase agreement payments into COSF payments will begin to bring in additional rental income of \$13,493,800 in FY 2012, including \$8,582,300 from the General Fund. Since only \$4,000,000 more is needed in COSF monies to fund FY 2012 Building Renewal at \$5,000,000, the rental rate can be reduced.

Reducing the office space rental rate from \$21.02/square foot to \$15.08/square foot and the storage space rental rate from \$7.62/square foot to \$5.47/square foot, would result in FY 2012 COSF rental collections of \$24,126,500, which is an increase of \$4,000,000 over the FY 2011 amount. The rate reduction will save \$(9,494,100), including \$(6,423,900) from the General Fund.

The net General Fund savings from all these adjustments is \$(16,509,100). (Please see page 362.)

SUMMARY OF RENT CHARGES ^{1/2/}

	Fiscal Year 2011				Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS								
Acupuncture Board of Examiners								
1400 W Washington	0	5,500	0	5,500	0	3,900	0	3,900
Administration, AZ Department of								
1300 W Washington	9,300	0	0	9,300	6,700	0	0	6,700
1400 W Washington	64,700	0	0	64,700	46,400	0	0	46,400
1510 W Adams	0	460,600	0	460,600	0	330,400	0	330,400
1520 W Adams	0	13,300	0	13,300	0	9,500	0	9,500
1522 W Jackson	0	67,300	0	67,300	0	48,300	0	48,300
1537 W Jackson	0	88,800	0	88,800	0	63,700	0	63,700
1802 W Jackson	0	0	139,600	139,600	0	0	100,100	100,100
1840 W Jackson	72,800	0	0	72,800	52,200	0	0	52,200
1850 W Jackson	22,200	0	0	22,200	15,900	0	0	15,900
1700 W Washington	261,400	73,700	0	335,100	187,400	52,900	0	240,300
1789 W Jefferson	0	0	0	0	20,100	0	0	20,100
1937 W Jefferson/CDC	0	184,200	0	184,200	0	132,100	0	132,100
1937 W Jefferson/Wayland	17,700	0	19,900	37,600	12,700	0	14,300	27,000
1801 W Madison	29,300	0	0	29,300	21,000	0	0	21,000
1805 W Madison	39,700	0	0	39,700	28,500	0	0	28,500
2910 N 44th Street	3,200	0	0	3,200	2,300	0	0	2,300
14 N 18th Avenue	17,400	27,400	5,000	49,800	12,500	19,600	3,600	35,700
400 W Congress, Tucson					74,600	35,100	0	109,700
402 W Congress, Tucson	28,000	42,100	0	70,100	20,100	30,200	0	50,300
416 W Congress, Tucson	3,500	0	0	3,500	2,500	0	0	2,500
Subtotal - AZ Dept of Administration	569,200	957,400	164,500	1,691,100	502,900	721,800	118,000	1,342,700
Administrative Hearings, Office of								
1400 W Washington	148,700	0	107,700	256,400	106,700	0	77,200	183,900
Agriculture, AZ Department of								
1520 W Adams	133,400	30,800	6,800	171,000	95,600	22,100	4,900	122,600
1624 W Adams	8,500	2,800	1,000	12,300	6,100	2,000	700	8,800
1688 W Adams	523,300	120,700	26,800	670,800	375,300	86,600	19,200	481,100
400 W Congress, Tucson	0	0	0	0	24,700	8,700	0	33,400
Subtotal - AZ Dept of Agriculture	665,200	154,300	34,600	854,100	501,700	119,400	24,800	645,900
Appraisal, State Board of								
1400 W Washington	0	36,400	0	36,400	0	26,100	0	26,100
AZ Health Care Cost Containment System								
Kingman Building	9,200	0	6,100	15,300	6,600	0	4,400	11,000
Arts, AZ Commission on the								
417 W Roosevelt	88,300	0	0	88,300	63,300	0	0	63,300
Attorney General - Department of Law								
1275 W Washington	1,726,500	35,200	0	1,761,700	1,238,300	25,200	0	1,263,500
400 W Congress, Tucson	0	0	0	0	95,900	0	0	95,900
402 W Congress, Tucson	384,100	0	0	384,100	275,500	0	0	275,500
Subtotal - Attorney General - Dept of Law	2,110,600	35,200	0	2,145,800	1,609,700	25,200	0	1,634,900

	Fiscal Year 2011				Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Auditor General								
2910 N 44th Street	448,200	0	0	448,200	321,500	0	0	321,500
Automobile Theft Authority								
1400 W Washington	0	41,700	0	41,700	0	29,900	0	29,900
Barbers, Board of								
1400 W Washington	0	15,200	0	15,200	0	10,900	0	10,900
Charter Schools, State Board for								
1700 W Washington	72,800	0	0	72,800	52,200	0	0	52,200
Commerce, Department of								
1700 W Washington	289,300	86,300	132,000	507,600	207,500	61,900	94,700	364,100
Contractors, Registrar of								
400 W Congress, Tucson	0	0	0	0	46,100	0	0	46,100
Corporation Commission								
1200 W Washington	191,000	622,300	0	813,300	137,000	446,300	0	583,300
1300 W Washington	212,200	270,100	0	482,300	152,200	193,700	0	345,900
1400 W Washington	143,600	9,200	0	152,800	103,000	6,600	0	109,600
400 W Congress, Tucson	0	0	0	0	38,400	30,200	0	68,600
Subtotal - Corporation Commission	546,800	901,600	0	1,448,400	430,600	676,800	0	1,107,400
Corrections, State Department of								
1601 W Jefferson	988,500	0	0	988,500	709,000	0	0	709,000
1645 W Jefferson	802,500	0	0	802,500	575,600	0	0	575,600
1831 W Jefferson	376,000	0	0	376,000	269,700	0	0	269,700
Subtotal - State Dept of Corrections	2,167,000	0	0	2,167,000	1,554,300	0	0	1,554,300
Deaf and Blind, Arizona State Schools for the								
Food Service Building	0	0	0	0	116,700	120,800	165,000	402,500
Deaf and Hard of Hearing, Commission for the								
1400 W Washington	0	99,600	0	99,600	0	71,400	0	71,400
Economic Security, Department of								
1400 W Washington	0	0	15,300	15,300	0	0	11,000	11,000
1789 W Jefferson	0	0	0	0	1,571,200	468,600	716,700	2,756,500
Kingman Building	292,500	39,700	32,500	364,700	209,800	28,500	23,300	261,600
400 W Congress, Tucson	0	0	0	0	344,300	99,200	140,100	583,600
Subtotal - Department of Economic Security	292,500	39,700	47,800	380,000	2,125,300	596,300	891,100	3,612,700
Education, Department of								
1535 W Jefferson	786,200	0	617,800	1,404,000	563,900	0	443,100	1,007,000
400 W Congress, Tucson	0	0	0	0	43,900	16,300	0	60,200
416 W Congress, Tucson	5,300	3,900	18,500	27,700	3,800	2,800	13,300	19,900
Subtotal - Department of Education	791,500	3,900	636,300	1,431,700	611,600	19,100	456,400	1,087,100
Environmental Quality, Department of								
400 W Congress, Tucson	0	0	0	0	0	81,600	35,000	116,600
Equal Opportunity, Governor's Office of								
1700 W Washington	21,500	0	0	21,500	15,400	0	0	15,400
Equalization, State Board of								
416 W Congress, Tucson	1,800	0	0	1,800	1,300	0	0	1,300
Executive Clemency, Board of								
1645 W Jefferson	111,600	0	0	111,600	80,000	0	0	80,000
Financial Institutions, Department of								
2910 N 44th Street	246,000	0	27,300	273,300	176,400	0	19,600	196,000

	Fiscal Year 2011				Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Fire, Building, and Life Safety, Department of 400 W Congress, Tucson	0	0	0	0	39,700	0	0	39,700
Funeral Directors & Embalmers, State Board of 1400 W Washington	0	18,100	0	18,100	0	13,000	0	13,000
Gaming, Department of 400 W Congress, Tucson	0	0	0	0	0	16,900	0	16,900
Geological Survey, AZ 402 W Congress, Tucson	7,700	0	0	7,700	5,500	0	0	5,500
416 W Congress, Tucson	193,300	0	0	193,300	138,600	0	0	138,600
Subtotal - AZ Geological Survey	201,000	0	0	201,000	144,100	0	0	144,100
Governor, Office of the 1645 W Jefferson	1,100	0	0	1,100	800	0	0	800
1700 W Washington	772,400	0	15,800	788,200	554,000	0	11,300	565,300
400 W Congress, Tucson	0	0	0	0	36,300	0	0	36,300
Subtotal - Office of the Governor	773,500	0	15,800	789,300	591,100	0	11,300	602,400
Gov's Ofc of Strategic Planning & Budgeting 1700 W Washington	132,500	0	0	132,500	95,000	0	0	95,000
Health Services, Department of 1740 W Adams	992,800	467,200	0	1,460,000	712,000	335,100	0	1,047,100
1818 W Adams	213,200	87,100	0	300,300	152,900	62,500	0	215,400
400 W Congress, Tucson	0	0	0	0	64,000	75,100	0	139,100
402 W Congress, Tucson	600	300	0	900	400	200	0	600
416 W Congress, Tucson	61,600	6,800	0	68,400	44,200	4,900	0	49,100
Subtotal - Department of Health Services	1,268,200	561,400	0	1,829,600	973,500	477,800	0	1,451,300
Historical Society, Arizona 1502 W Washington ^{3/}	524,700	0	0	524,700	376,300	0	0	376,300
Papago Museum	0	0	0	0	1,079,900	0	0	1,079,900
Subtotal - Arizona Historical Society	524,700	0	0	524,700	1,456,200	0	0	1,456,200
Homeland Security, AZ Dept of 1700 W Washington	0	0	150,000	150,000	0	0	107,600	107,600
Homeopathic & Integrated Medicine Examiners, State Board of 1400 W Washington	0	6,000	0	6,000	0	4,300	0	4,300
Indian Affairs, AZ Commission of 1700 W Washington	12,100	0	0	12,100	8,700	0	0	8,700
Insurance, Department of 2910 N 44th Street	435,300	0	147,800	583,100	312,200	0	106,000	418,200
400 W Congress, Tucson	0	0	0	0	6,900	6,600	0	13,500
Subtotal - Department of Insurance	435,300	0	147,800	583,100	319,100	6,600	106,000	431,700
Judiciary - Court of Appeals 400 W Congress, Tucson	0	0	0	0	460,000	0	0	460,000
Judiciary - Supreme Court 1501 W Washington	0	0	0	0	1,974,700	953,300	476,700	3,404,700
400 W Congress, Tucson	0	0	0	0	101,400	0	0	101,400
Subtotal - Supreme Court	0	0	0	0	2,076,100	953,300	476,700	3,506,100
Subtotal - Judiciary	0	0	0	0	2,536,100	953,300	476,700	3,966,100
Juvenile Corrections, Department of 1624 W Adams	698,000	0	0	698,000	500,600	0	0	500,600

	Fiscal Year 2011				Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Liquor Licenses and Control, Department of 400 W Congress, Tucson	0	0	0	0	0	26,300	0	26,300
Medical Board, AZ 9500 Doubletree Rd.	0	337,500	0	337,500	0	242,100	0	242,100
Mine Inspector, State 1700 W Washington ^{3/}	92,200	0	0	92,200	66,100	0	0	66,100
Mines and Mineral Resources, Department of 1400 W Washington	0	0	0	0	10,000	0	3,300	13,300
1520 W Adams	0	0	0	0	0	0	0	0
Subtotal - Dept. of Mines & Mineral Resources	0	0	0	0	10,000	0	3,300	13,300
Naturopathic Physicians Medical Board 1400 W Washington	0	34,900	0	34,900	0	25,000	0	25,000
Navigable Stream Adjudication Commission, AZ 1700 W Washington	16,200	0	0	16,200	11,600	0	0	11,600
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs. 1700 W Washington	0	25,000	0	25,000	0	17,900	0	17,900
Opticians, State Board of Dispensing 1400 W Washington	0	6,000	0	6,000	0	4,300	0	4,300
Optometry, State Board of 1400 W Washington	0	9,600	0	9,600	0	6,900	0	6,900
Osteopathic Examiners, AZ Board of 9500 Doubletree Rd.	0	49,200	0	49,200	0	35,300	0	35,300
Parks Board, AZ State 1300 W Washington	0	0	409,800	409,800	0	0	293,900	293,900
1645 W Jefferson	0	0	900	900	0	0	600	600
Subtotal - AZ State Parks Board	0	0	410,700	410,700	0	0	294,500	294,500
Personnel Board 1400 W Washington	0	30,800	0	30,800	0	22,100	0	22,100
Pest Management, Office of 9500 Doubletree Rd.	0	185,600	0	185,600	0	133,100	0	133,100
400 W Congress, Tucson	0	0	0	0	0	4,300	0	4,300
Subtotal - Office of Pest Management	0	185,600	0	185,600	0	137,400	0	137,400
Pharmacy, AZ State Board of 1700 W Washington	0	130,300	0	130,300	0	93,500	0	93,500
Podiatry Examiners, State Board of 1400 W Washington	0	5,300	0	5,300	0	3,800	0	3,800
Private Postsecondary Education, State Board for 1400 W Washington	0	21,100	0	21,100	0	15,100	0	15,100
Psychologist Examiners, State Board of 1400 W Washington	0	20,600	0	20,600	0	14,800	0	14,800
Real Estate Department, State 2910 N 44th Street	322,900	0	0	322,900	231,600	0	0	231,600
400 W Congress, Tucson	0	0	0	0	28,800	0	0	28,800
Subtotal - State Department of Real Estate	322,900	0	0	322,900	260,400	0	0	260,400
Respiratory Care Examiners, Board of 1400 W Washington	0	23,600	0	23,600	0	16,900	0	16,900

	Fiscal Year 2011				Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Revenue, Department of								
402 W Congress, Tucson	213,900	0	0	213,900	153,400	0	0	153,400
416 W Congress, Tucson	149,900	0	0	149,900	107,500	0	0	107,500
Subtotal - Department of Revenue	363,800	0	0	363,800	260,900	0	0	260,900
School Facilities Board								
1700 W Washington	145,900	0	0	145,900	104,600	0	0	104,600
Secretary of State - Dept of State								
1100 W Washington	66,000	0	0	66,000	47,300	0	0	47,300
1700 W Washington	244,800	0	0	244,800	175,600	0	0	175,600
1645 W Jefferson	700	0	0	700	500	0	0	500
400 W Congress, Tucson	0	0	0	0	7,200	0	0	7,200
Subtotal - Secretary of State - Dept of State	311,500	0	0	311,500	230,600	0	0	230,600
State Boards' Office								
1400 W Washington	0	36,500	0	36,500	0	26,200	0	26,200
Transportation, Department of								
1275 W Washington ^{3/}	0	172,900	0	172,900	0	124,000	0	124,000
Treasurer, State								
1700 W Washington	181,300	0	0	181,300	130,000	0	0	130,000
Veterinary Medical Examining Board, AZ State								
1400 W Washington	0	25,200	0	25,200	0	18,100	0	18,100
Water Resources, Department of								
1520 W Adams	110,500	0	0	110,500	79,300	0	0	79,300
400 W Congress, Tucson	0	0	0	0	26,800	0	0	26,800
Subtotal - Department of Water Resources	110,500	0	0	110,500	106,100	0	0	106,100
GRAND TOTAL	\$14,169,800	\$4,076,400	\$1,880,600	\$20,126,800	16,374,300	4,866,700	2,885,600	\$24,126,500

^{1/} Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share based on actual occupancy.

^{2/} The FY 2011 office square footage rental rate was \$21.02 and the storage square footage rate is \$7.62. The FY 2012 Baseline assumes rental rates of \$15.08 for office space and \$5.47 for storage space.

^{3/} Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

Capital Outlay

Arizona Department of Transportation Building System

	FY 2012 BASELINE
BUILDING RENEWAL	
ADOT Building Renewal	1,050,000
SUBTOTAL	1,050,000
INDIVIDUAL PROJECTS	
Airport Planning and Development	22,300,400
Controlled Access Highways	87,859,000
Debt Service	122,119,000
Statewide Highway Construction	0
SUBTOTAL	232,278,400
TOTAL - ALL PROJECTS	233,328,400
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	22,350,400
State Highway Fund	210,978,000
SUBTOTAL - Other Appropriated Funds	233,328,400
SUBTOTAL - Appropriated Funds	233,328,400
<u>Other Non-Appropriated Funds</u>	
Federal Funds	312,567,000
TOTAL - ALL SOURCES	1,181,617,400

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:

FY 2012

Building Renewal OF **\$1,050,000**

The Baseline includes \$1,050,000 for Building Renewal within ADOT's Building System in FY 2012. 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 10.6% funding of the revised highways building renewal formula and 30.9% funding of the aviation building renewal formula.

Airport Planning and Development OF **22,300,400**

The Baseline includes \$22,300,400 from the State Aviation Fund for ADOT's airport construction program in FY 2012. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of the Grand Canyon Airport.

Controlled Access Highways OF **87,859,000**

The Baseline includes \$87,859,000 from SHF for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways in FY 2012. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service OF **122,119,000**

The Baseline includes \$122,119,000 from SHF for the appropriated portion of the debt service on bonds in FY 2012. ADOT has approximately \$2,900,000,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2012 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 2012. Please see Table 5 for the HURF Distribution analysis, which shows that \$(46,953,000) of net SHF monies will be available for statewide highway construction in FY 2012 from the FY 2012 HURF revenue cash flow. Since SHF cannot

literally run a deficit, this \$(46,953,000) will be absorbed by other proceeds' balances. Only a small portion of the state's total \$1,635,698,000 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.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Individual Projects

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 Appropriation 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 18, 2010 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 \$1,119,781,000 for FY 2012, including \$781,620,000 for construction and maintenance projects scheduled to begin in FY 2012, and \$338,161,000 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 2012, 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 2012.

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.

Non-Appropriated Capital Funds			
(\$ in Thousands)			
	FY 2010	FY 2011	FY 2012
	<u>Actual</u>	<u>Estimate</u>	<u>Baseline</u>
Aviation Federal Funds	\$ 6,011	\$ 3,665	\$ 3,665
Federal Grants	610,639	632,057	632,057
Subtotal – Federal Funds	\$616,650	\$635,722	\$635,722
Economic Strength Project Fund	\$ 1,005	\$ 1,005	\$ 1,005
Local Agency Deposits Fund	71,471	50,000	50,000
Maricopa Regional Area Road Fund	259,439	261,562	261,562
Subtotal – Other Non-Appropriated Funds	\$331,915	\$312,567	\$312,567
Total	\$948,565	\$948,289	\$948,289

Table 2

Highway Construction Projects Beginning in FY 2012 and Debt Service Payments
(\$ in Thousands)

	<u>FY 2012</u>
Construction	\$ 63,863
Urban Controlled Access ^{1/}	409,924
Pavement Preservation Maintenance	130,000
Other ^{2/}	177,833
Debt Service ^{3/}	<u>338,161</u>
Total	\$1,119,781

^{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 \$122,119,000 for SHF statewide construction bonds; \$33,658,000 for HURF, MAG, and PAG controlled access bonds; \$118,595,000 for Maricopa Regional Area Road Fund Bonds; and \$63,789,000 for Grant Anticipation Notes.

Table 3

Estimated Highway Construction - Cash Basis
(\$ in Thousands)

	<u>FY 2012</u>
Balance Forward ^{1/}	\$ 491,371
Revenues	
Appropriated Statewide Highway Construction ^{2/}	\$ 0
Appropriated Controlled Access Highways (MAG & PAG)	87,859
Appropriated Debt Service	122,119
½ Cent Sales Tax	195,000
Federal Aid ^{3/}	701,006
Maricopa Regional Area Road Fund Bond Proceeds ^{4/}	400,000
Miscellaneous Income/Expenses ^{5/}	<u>3,842</u>
Subtotal - Revenues	<u>\$1,509,826</u>
Total Funds Available for Construction	\$2,001,197
Debt Service Expenditures	
Appropriated Debt Service	\$ 122,119
Other Debt Service (All Other) ^{6/}	<u>216,042</u>
Subtotal - Debt Service	\$ 338,161
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$ 395,000
Controlled Access Highways (MAG)	<u>902,537</u>
Subtotal - Construction Expenditures	<u>\$1,297,537</u>
Total Planned Expenditures	\$1,635,698
Balance Forward	\$ 365,499

^{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 \$(46,953,000). Since SHF cannot literally run a deficit, this amount is shown as \$0.
^{3/} Includes \$16,400,000 in American Recovery and Reinvestment Act of 2009 funds.
^{4/} Proceeds reflect a cash expenditure basis.
^{5/} Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.
^{6/} See footnote 3 on Table 2 for a breakdown of the Other Debt Service payments.

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 2010 through FY 2012. The line in *Table 5*, which shows Net SHF 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 2010 HURF collections of \$1,194,416,500 were (4.3)% below FY 2009. As of October 2010, HURF year-to-date collections are up 1.3% as compared to the prior year. As a result, the JLBC Staff forecasts a 1.5% increase in total HURF revenue collections in both FY 2011 and FY 2012.

The decline in HURF collections in FY 2010 was due to a variety of factors related to the general economic downturn. Even with lower fuel prices, consumers drove less. Lower population growth also contributed to fewer miles driven, as well as reduced vehicle license tax and registration fee growth. Additionally, motor carrier fees were down due to the continued trend of fewer registered commercial vehicles.

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	<u>42.8%</u>
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% = 7.7%). 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 2010	FY 2011	FY 2012
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Total HURF Collections	\$1,194,417	\$1,212,333	\$1,230,518
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Operating Budget	566	625	625
Dept. of Public Safety (DPS) Transfer from HURF	<u>78,626</u>	<u>79,216</u>	<u>79,216</u>
Net HURF Collections	1,114,225	1,131,492	1,149,677
Less: Cities ^{2/}	339,839	345,105	350,652
Counties ^{2/}	211,703	214,984	218,439
Controlled Access ^{3/}	85,149	86,477	87,859
VLT Transfer to General Fund ^{4/}	43,171	43,619	43,619
VLT Transfer to Parity Compensation Fund ^{5/}	<u>2,492</u>	<u>2,478</u>	<u>2,569</u>
Net SHF (Discretionary)	431,871	438,829	446,539
Plus: Other Income ^{6/}	13,039	13,448	13,248
Less: Operating Budget	247,870	325,795	325,795
Operating Carryovers, Adjustments and Transfers ^{7/}	5	5	5
Capital Outlay and Building Renewal	1,000	1,000	1,000
Motor Vehicle Third Party Payments ^{8/}	16,047	16,181	16,300
DPS Transfer from Highway Fund	41,256	41,521	41,521
Debt Service ^{9/}	<u>94,371</u>	<u>94,763</u>	<u>122,119</u>
Net SHF Available for Statewide Highway Const. (5-Year Plan) ^{10/}	44,361	(26,988)	(46,953)
SHF Adjustments			
Plus: Discretionary SHF Beginning Balance	7,000	0	0
Controlled Access SHF Beginning Balance	119,000	170,000	170,000
STAN Beginning Balance	<u>101,413</u>	<u>55,370</u>	<u>10,678</u>
Total Highway Fund Available for Statewide Highway Construction	<u>\$ 271,774</u>	<u>\$ 198,382</u>	<u>\$ 133,725</u>

^{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/} The \$43,170,600 VLT transfer in FY 2010 includes a Fund Reduction and Transfer of \$28,000,000, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, and an \$8,390,600 VLT transfer. In both FY 2011 and FY 2012, the \$43,618,600 VLT transfer continues the FY 2010 \$43,170,600 VLT transfer but also includes a \$448,000 Safety Enforcement and Transportation Infrastructure Fund (SETIF) transfer to the General Fund, which is done via VLT.

^{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 both FY 2011 and FY 2012, this amount also includes \$448,000 in transfers from SETIF 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/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{10/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

Capital Outlay
Arizona Board of Regents

FY 2012
 BASELINE

BUILDING RENEWAL
 Arizona Board of Regents
TOTAL

0
 0

FUND SOURCES
 General Fund
TOTAL - ALL SOURCES

0
 0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

Debt Financed Projects

University Capital Projects

Laws 2008, Chapter 287, as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd Special Session, Chapter 9, authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which not more than \$167,671,200 could be issued in FY 2009 and not more than \$400,000,000 in FY 2010. ABOR is required to allocate \$376,000,000 of the \$800,000,000 for the Phoenix Biomedical Campus. Of the remaining \$424,000,000 in proceeds, ABOR plans to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction and \$136,000,000 to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

The Joint Committee on Capital Review (JCCR) favorably reviewed \$167,671,200 for building renewal bond projects in November 2008 and February 2009, which mostly were issued in April, June, and August 2010. The University of Arizona (UA) plans on issuing \$41,585,000 in the spring of 2011. At that point, \$165,420,000 of the favorably reviewed \$167,671,200 will have been issued.

The Committee also favorably reviewed \$172,940,000 for Phase I of the Phoenix Biomedical Campus in March 2010, which represents a portion of the \$376,000,000 requirement and was supposed to be a collaboration between the 3 universities. Subsequent to the March 2010 JCCR meeting, ASU withdrew its partnership altogether from the Phoenix Biomedical Campus. Because of this, ASU's \$43,235,000 portion of the \$172,940,000 will not be issued. UA issued \$122,245,000 in June 2010, and Northern Arizona University (NAU) plans on issuing \$7,685,000 in late spring 2011.

All of the NAU and UA bonds and 73% of the ASU bonds were issued as Build America Bonds (BABs). BABs are

taxable bonds which entitle the issuing entity to a 35% interest subsidy from the federal government. This leaves the issuing entity paying the remaining 65% of interest costs, along with principal, associated with the lease-purchase agreement.

At the March 2010 meeting, JCCR favorably reviewed the Phoenix Biomedical Campus debt issuance with the provision that the universities not request authority for further lottery bonding projects for 18 months, or until September 2011. After that time, a total of \$459,388,800 in remaining authority will be available for university lottery bonding projects, including \$203,060,000 for Phoenix Biomedical Campus expansion.

Under Chapter 287, the annual debt service payments were designed to be paid from the University Capital Improvement Lease-to-Own and Bond (UCI) Fund and would be comprised of at least 80% Lottery revenues and up to 20% state university system revenues, as required by Chapter 287.

After all Lottery revenue beneficiaries received their statutory distributions, the UCI Fund receives its distribution before any remaining monies revert to the General Fund. The JLBC Staff estimates that the UCI Fund will receive \$16,955,900 in FY 2012, which is more than sufficient to pay the maximum 80% lottery portion of the debt service for the \$165,420,000 in building renewal projects and \$129,930,000 in Phoenix Biomedical Campus projects.

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

Table 1 shows the current projections for UCI Fund revenues and a summary of the payment schedule for the Phoenix Biomedical Campus and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds.

FORMAT — Lump Sum by Project by Fund

The FY 2012 – FY 2015 payments are mainly interest-only payments. The FY 2016 – FY 2030 total annual payments are approximately \$22,900,000, and the remaining FY 2031 – FY 2044 total annual payments are approximately \$7,900,000.

Table 1		University Lottery Bonding Projects ^{1/}					
		<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Projected Lottery Revenue to UCI Fund ^{2/}		\$16,955,900	\$24,490,300	\$32,056,400	\$39,986,000	\$48,332,600	\$57,117,000
Building Renewal Projects							
Lottery Debt Service	80%	\$ 5,950,500	\$ 5,311,000	\$ 5,311,000	\$ 6,815,000	\$12,025,900	\$12,025,500
University Debt Service	20%	<u>1,487,600</u>	<u>1,327,800</u>	<u>1,327,800</u>	<u>1,703,800</u>	<u>3,006,500</u>	<u>3,006,400</u>
Total Debt Service for \$165.4 M ^{3/}		\$ 7,438,100	\$ 6,638,800	\$ 6,638,800	\$ 8,518,800	\$15,032,400	\$15,031,900
Phoenix Biomedical Campus							
Lottery Debt Service	80%	\$ 4,426,200	\$ 4,427,100	\$ 4,424,800	\$ 4,426,200	\$ 6,311,100	\$ 6,306,700
University Debt Service	20%	<u>1,106,600</u>	<u>1,106,800</u>	<u>1,106,200</u>	<u>1,106,600</u>	<u>1,577,800</u>	<u>1,576,700</u>
Total Debt Service for \$129.9 M ^{4/}		\$ 5,532,800	\$ 5,533,900	\$ 5,531,000	\$ 5,532,800	\$ 7,888,900	\$ 7,883,400
Total Lottery Requirement		\$10,376,700	\$ 9,738,100	\$ 9,735,800	\$11,241,200	\$18,337,000	\$18,332,200
Projected Unused Lottery Revenues		\$ 6,579,200	\$14,752,200	\$22,320,600	\$28,744,800	\$29,995,600	\$38,784,800
Projected University Cost ^{5/}		\$ 2,594,200	\$ 2,434,600	\$ 2,434,000	\$ 2,810,400	\$ 4,584,300	\$ 4,583,100

^{1/} Represents JCCR reviewed projects. The issued bonds are BABs, which have a 35% interest subsidy from the federal government. The displayed amounts are net of the 35% subsidy. According to ABOR, the universities will file paperwork 90 days prior to the payment date in order to receive the federal subsidy so they will not have to literally pay the 35% net interest cost.

^{2/} Revenue estimates are based on a 5% annual increase in lottery revenues.

^{3/} All of the building renewal bonds have been issued, except UA plans on issuing its remaining \$41,585,000 in the spring of 2011. The amounts shown here include estimates for UA's remaining issuance.

^{4/} UA has already issued its \$122,245,000 share, NAU plans on issuing its \$7,685,000 share in late spring 2011, and ASU's \$43,235,000 share will not be issued as they withdrew their partnership from the Phoenix Biomedical Campus. The amounts shown here include estimates for NAU's remaining issuance.

^{5/} Represents the 20% university share.

Capital Outlay
Debt and Lease-Purchase Financing

FY 2012
 BASELINE

LEASE-PURCHASE PAYMENTS*

Arizona Department of Administration

2010 Leaseback Financing	49,050,700
TOTAL - ALL PROJECTS	49,050,700

* Represents only lease-purchase payments for the 2010 state building sale/lease-back. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 2.)

FUND SOURCES

General Fund	49,050,700
TOTAL - ALL SOURCES	49,050,700

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

Debt Financed Projects

FY 2012
2010 Leaseback Financing GF \$49,050,700

The Baseline includes \$49,050,700 from the General Fund for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements in FY 2012.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) authorized the Arizona Department of Administration (ADOA) to enter into 1 or more sale/lease-back agreements in FY 2010 for existing state-owned facilities, including prison facilities. Any lease-purchase agreements were required to result in proceeds totaling \$735,419,300 to be deposited to the General Fund in FY 2010 to subsidize state operating expenses. ADOA sold the entire issuance at an average tax-exempt interest rate of 4.57% in January 2010.

In a sale/lease-back agreement, the state sells properties to the trustee, and the trustee leases the properties back to the state. Since the properties were sold, the trustee holds the titles to the properties. The control of the properties remains with the state, but the trustee literally "holds" the titles until the obligation is fully repaid. The state reacquires its financial stake through lease-purchase agreements.

The following properties were part of the agreement: the Arizona State Prison Complexes (ASPC) at Eyman and Florence, the Executive Tower, the Senate and House of Representatives buildings, the Polly Rosenbaum State Archives building, the Department of Revenue building and parking structure, the Department of Public Safety Phoenix (DPS) headquarters, the Arizona State Hospital, the Coliseum and Exposition Center, and the Phoenix Day School for the Deaf.

Additionally, Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to enter into an additional 20-year,

\$300,000,000 sale/lease-back agreement for state buildings by September 30, 2010. ADOA was able to sell the entire issuance at an average tax-exempt interest rate of 4.37% in June 2010.

The FY 2012 payment of \$49,050,700 for both issuances is interest only. The payments for the remaining 18 years will be approximately \$84,100,000.

The following properties were part of the agreement: ASPC Tucson Winchester unit, AHCCCS 701 & 801 E. Jefferson buildings, DPS Tucson headquarters and forensic lab, Arizona State Schools for the Deaf and Blind (ASDB) Tucson selected buildings, ASDB Phoenix Day School, Supreme Court building, Department of Economic Security (DES) 1789 W. Jefferson building, 400 W. Congress Tucson complex, and the Tucson Arizona Historical Society.

The sale/lease-back agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. If a state uses tax-exempt debt financing to eliminate a budget shortfall, federal regulations require the state to repay the obligation early if a state's surplus exceeds 5% in a future year. The FY 2011 Budget Procedures BRB (Laws 2010, 7th Special Session, Chapter 3) requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting the requirements for tax-exempt deficit financing concerning agreements entered into after January 1, 2009.

* * *

FORMAT — Lump Sum by Project by Fund

Long-Term Financing Summary

That state's long-term financing consists of 3 different types of transactions.

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 PLTO agreements with private entities for 3 office buildings on the Capitol Mall. The 3 buildings house ADOA, the Department of Environmental Quality, and the Department of Health Services. *Table 1* provides information on current lease-to-own agreements.

Fund Type	FY 2011 Appropriation	FY 2012 Payment	Lease Completion
General Fund	\$ 4,551,400	\$ 4,949,200	FY 2028
Other Approp.	5,813,200	6,310,300	FY 2028
Non-Approp.	979,900	1,113,600	FY 2028
Total	\$11,344,500	\$12,373,100	NA

These payments are not included in *Table 2's* Lease-Purchase and Bonding Summary since the debt is not held by the state.

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. Since FY 2008, any new school construction has been done by lease-purchase financing.

The FY 2010 Education BRB (Laws 2009, 3rd Special Session, Chapter 12) allowed SFB to enter into up to \$100,000,000 of new construction lease-purchase agreements to be financed by a federal program known as Qualified School Construction Bonds (QSCB). The lease-purchase agreement was issued for \$91,325,000 in October 2010 and will be retired in FY 2028. *(Please see the SFB budget narrative pages for more information.)*

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 was completed in January 2009. The state was not required to begin repayment of its share of \$300,000,000, plus interest, until the following year in FY 2010.

The FY 1992 lease-purchase agreement that was refinanced in FY 2002 was paid off in FY 2011. These

properties included the 16th Avenue parking garage, Courts building, Historical Museum, ASDB Food Service, DES West, and Tucson building. The completion of the lease-purchase payments will result in savings of \$(25,953,300), including \$(17,079,000) from the General Fund.

The FY 1991 and 1992 lease-purchase agreements that were refinanced in FY 2001 and the FY 1993 lease-purchase agreement that was refinanced in FY 2004 will be paid off in FY 2012. These properties include ENSCO, Revenue building, DES homes, Capital Center, Records Management, Library for the Blind, ASDB projects, 1616 W. Adams, and Tonto Natural Bridge.

Once the final lease-purchase payments have been made on the properties, the agencies occupying the space will begin paying rent to ADOA. Rent payments will begin in FY 2012 for the FY 2002 refinanced lease-purchase agreement, and rent payments will begin in FY 2013 for the FY 2001 and FY 2004 refinanced lease-purchase agreements.

Beyond the \$(17,079,000) in lease-purchase savings from the FY 1992/2002 refinance, all other lease-purchase payments will decline by \$(1,588,500) from the General Fund. *(Please see the Capital Outlay ADOA Building System narrative for more information.)*

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

Bonding Summary

The Arizona Board of Regents, on behalf of the universities, the Arizona Department of Transportation, 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.

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments will be made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2012 bond payment will be \$20,709,600, which is interest only. This will result in the General Fund receiving \$20,709,600 less in Lottery revenues in FY 2012.

Table 2 also provides information related to current bond issuances.

Table 2

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance ^{1/}	GF Balance ^{1/}	Overall FY 12 Pvmt. ^{2/}	FY 12 GF Pvmt. ^{2/}	Retirement FY
ADOA Building System					
2001 A/B Issuance/Refinance					
Prisons/ENSCO	\$ 0	\$ 0	\$ 1,436,400	\$ 1,436,400	FY12
Revenue Building	0	0	552,900	541,800	FY12
DES Homes	0	0	70,700	46,000	FY12
Capital Center	0	0	411,900	304,800	FY12
<i>Subtotal</i>	\$ 0	\$ 0	\$ 2,471,900	\$ 2,329,000	
2002A Issuance					
Health Laboratory	\$ 19,605,000	\$ 11,174,900	\$ 2,320,400	\$ 1,322,600	FY23
2004A Issuance/Refinance					
Records Management	\$ 0	\$ 0	\$ 313,700	\$ 313,700	FY12
Library for the Blind	0	0	5,200	5,200	FY12
ASDB Projects	0	0	2,031,200	2,031,200	FY12
1616 West Adams	0	0	5,100	900	FY12
Tonto Natural Bridge	0	0	606,800	0	FY12
<i>Subtotal</i>	\$ 0	\$ 0	\$ 2,962,000	\$ 2,351,000	
2004B Issuance					
ADC Prison Expansions	\$ 18,640,000	\$ 18,640,000	\$ 3,191,800	\$ 3,191,800	FY19
2008A Issuance					
ADC 4000 Prison Beds, Water, and Wastewater	\$ 184,275,000	\$ 184,275,000	\$ 16,719,800	\$ 16,719,800	FY23, 28
DHS Forensic Hospital	26,750,000	26,750,000	3,113,700	3,113,700	FY23
<i>Subtotal</i>	\$ 211,025,000	\$ 211,025,000	\$ 19,833,500	\$ 19,833,500	
2010 A/B Issuance					
Sale/Leaseback	\$ 998,795,000	998,795,000	49,050,700	49,050,700	FY30
<i>Subtotal - ADOA</i>	\$1,248,065,000	\$1,239,634,900	\$ 79,830,300	\$ 78,078,600	
School Facilities Board					
New School Construction - FY 2003 - FY 2005	\$ 633,910,000	\$ 633,910,000	\$ 91,338,000	\$91,338,000	FY20
New School Construction - FY 2008 - FY 2009	551,035,000	551,035,000	58,646,600	58,646,600	FY24
Qualified School Construction Bonds	91,325,000	91,325,000	7,671,300 ^{3/}	7,671,300 ^{3/}	FY28
2011 Refinance	58,785,000	58,785,000	2,449,800	2,449,800	FY20
<i>Subtotal - SFB</i>	\$1,335,055,000	\$1,335,055,000	\$160,105,700	\$160,105,700	
ABOR Building System					
Arizona State University	\$ 295,008,000	\$ 184,745,000	\$ 26,239,000	\$ 14,472,000	FY11-FY31
Northern Arizona University	131,450,000	75,895,000	7,267,000	5,900,000	FY15-FY36
University of Arizona	475,439,000	182,325,000	43,765,000	14,253,000	FY20-FY31
<i>Subtotal - ABOR</i>	\$ 901,897,000	\$ 442,965,000	\$ 77,271,000	\$ 34,625,000	
Phoenix Convention Center ^{4/5/}	\$ 300,000,000	\$ 300,000,000	\$ 15,000,000	\$ 15,000,000	FY39
<i>TOTAL - Lease-Purchase</i>	\$3,785,017,000	\$3,317,654,900	\$332,207,000	\$287,809,300	

(Continued)

Table 2 (Continued)

	Overall Balance ^{1/}	GF Balance ^{1/}	Overall FY 12 Pymt. ^{2/}	FY 12 GF Pymt. ^{2/}	Retirement FY
Bonding Summary					
School Facilities Board					
Deficiencies Correction:					
Proposition 301	\$ 471,544,200	\$ 0	\$ 65,841,200	\$ 0	FY21
State Land Trust - FY 2004	<u>137,870,000</u>	<u>0</u>	<u>24,249,300</u>	<u>0</u>	FY18
<i>Subtotal - SFB</i>	\$ 609,414,200	\$ 0	\$ 90,090,500	\$ 0	
Department of Transportation	\$1,977,105,000 ^{6/}	\$ 0	\$219,566,000 ^{7/}	\$ 0	FY17, 26, 34
ABOR Building System					
Arizona State University	\$ 710,550,000	\$ 0	\$ 54,040,000	\$ 0	FY18-FY40
Northern Arizona University	295,225,000	0	24,041,000	0	FY16-FY40
University of Arizona	474,790,000	0	39,134,000	0	FY11-FY39
University Lottery Bond (SPEED)	<u>295,350,000 ^{8/}</u>	<u>0</u>	<u>12,970,900</u>	<u>0</u>	FY29, 30, 44
<i>Subtotal - ABOR</i>	\$1,775,915,000	\$ 0	\$130,185,900	\$ 0	
Lottery Revenue Bond ^{4/}	\$ 425,420,000	\$ 425,420,000	\$ 20,709,600	\$ 20,709,600	FY29
TOTAL - Bonding	\$4,787,854,200	\$ 425,420,000	\$ 460,552,000	\$ 20,709,600	
TOTAL - Lease-Purchase & Bonding	\$8,572,871,200	\$3,743,074,900	\$792,759,000	\$308,518,900	

^{1/} Represents principal balances. ADOA balances are as of June 30, 2012. All other balances are as of June 30, 2010. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.

^{2/} Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 12 GF Pymt." column.

^{3/} This type of financing entitles the state to an interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. In FY 2012, this subsidy is expected to be \$6,213,800 of the \$7,671,300 payment.

^{4/} These obligations will be repaid with foregone General Fund revenues.

^{5/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment.

^{6/} Includes \$1,672,625,000 for HURF bonds and \$304,480,000 for GANs.

^{7/} Future debt service schedule going forward is as follows: FY 2013 - \$217,855,000; FY 2014 - \$225,589,000; FY 2015 - \$220,906,000; FY 2016 - \$211,484,000

^{8/} Includes \$165,420,000 for building renewal projects favorably reviewed by JCCR in November 2008 and February 2009 and \$129,930,000 for Phase I of the Phoenix Biomedical Campus favorably reviewed by JCCR in March 2010. These are the initial projects under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED, which was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)