

**Capital Outlay**  
**Summary**

	FY 2013 APPROVED
<b>BUILDING RENEWAL</b>	
ADOA Building System	15,611,600
ADOT Building System	1,050,000
ABOR Building System	0
<b>SUBTOTAL</b>	<b>16,661,600</b>
<b>INDIVIDUAL PROJECTS</b>	
ADOA Building System	21,186,300
ADOT Building System	246,731,900
ABOR Building System	0
<b>SUBTOTAL</b>	<b>267,918,200</b>
<b>LEASE-PURCHASE PAYMENTS</b>	
Leaseback Obligations	89,714,800 <sup>1/</sup>
<b>TOTALS</b>	
ADOA Building System	126,512,700
ADOT Building System	247,781,900
ABOR Building System	0
<b>TOTAL - ALL PROJECTS</b>	<b>374,294,600</b>
<b>FUND SOURCES</b>	
General Fund	109,714,800
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	10,372,600
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Fund	553,300
Game and Fish Capital Improvement Fund	1,000,000
State Aviation Fund	21,974,900
State Highway Fund	225,807,000
State Lottery Fund	241,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>264,579,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>374,294,600</b>
Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
<b>TOTAL - ALL SOURCES</b>	<b>1,383,979,600</b>

**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:

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

**Capital Outlay**

The budget includes a total of \$374,294,600 from Appropriated Funds in FY 2013. Of the total, \$109,714,800 is from the General Fund and \$264,579,800 is from Other Appropriated Funds. The budget consists of

**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

<sup>1/</sup> This amount was appropriated by the General Appropriation Act (Laws 2012, Chapter 294, Section 125). All other appropriations appear in the FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295).

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.

Committee consists of 6 non-voting members and 10 voting members, including 6 gubernatorial appointments and 4 county sheriffs.

The budget includes total funding of \$16,661,600 in FY 2013 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$10,372,600
Capital Outlay Stabilization Fund	
@ 39% (non -ADC buildings)	
Department of Corrections Building	4,630,500
Renewal Fund @ 33% (ADC-only	
buildings)	
Game and Fish Fund @ 100%	523,300
State Lottery Fund @ 100%	<u>85,200</u>
Subtotal - ADOA	\$15,611,600
Arizona Department of Transportation	
State Highway Fund @ 9.9%	\$ 1,000,000
State Aviation Fund @ 28.4%	<u>50,000</u>
Subtotal - ADOT	\$ 1,050,000

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

#### **Individual Projects**

The budget includes a total of \$267,918,200 from Appropriated Funds in FY 2013 for individual capital projects. Of this amount, \$20,000,000 is from the General Fund and \$247,918,200 is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

#### **Lease-Purchase Payments**

The budget includes \$89,714,800 from the General Fund in FY 2013 for lease-purchase agreement payments. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

#### **Joint Border Security Advisory Committee**

Laws 2012, Chapter 247 appropriates the monies received in FY 2012 and FY 2013 by the Border Security Trust Fund, established in A.R.S. § 41-108, to the Joint Border Security Advisory Committee for the purpose of administering and managing the construction and maintenance of a fence along the Mexican border. The State Treasurer is statutorily mandated to be the administrator and trustee of the appropriated Border Security Trust Fund which receives revenues from private and public donations and has a balance of \$273,000 as of May 2012. The Committee is tasked with analyzing border crossing and crime statistics, making recommendations to the Governor designed to increase border security, and administering and managing the construction and maintenance of a border fence. The

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

FY 2013  
 APPROVED

<b>BUILDING RENEWAL</b>	
Department of Administration <sup>1/</sup>	10,372,600
Game and Fish Department	523,300
Arizona Lottery Commission	85,200
Department of Corrections <sup>2/</sup>	4,630,500
<b>SUBTOTAL <sup>3/</sup></b>	<b>15,611,600</b>
<b>INDIVIDUAL PROJECTS <sup>4/</sup></b>	
<b>Department of Administration</b>	
Maximum Security Prison Beds	20,000,000
<b>Game and Fish Department</b>	
Property Maintenance	500,000
Dam Maintenance	500,000
Preventative Maintenance	30,000
<b>Lottery Commission</b>	
Fire Alarm Replacement	156,300
<b>SUBTOTAL</b>	<b>21,186,300</b>
<b>TOTAL - ALL PROJECTS</b>	<b>36,797,900</b>
<b>FUND SOURCES</b>	
General Fund	20,000,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	10,372,600
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Fund	553,300
Game and Fish Capital Improvement Fund	1,000,000
State Lottery Fund	241,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>16,797,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>36,797,900</b>
<b>TOTAL - ALL SOURCES <sup>5/6/7/8/</sup></b>	<b>36,797,900</b>

**AGENCY 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 the 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 2013 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

<sup>1/</sup> The Department of Administration shall allocate \$1,700,000 for the purchase of a generator at the Arizona State Hospital. The Department of Administration shall allocate the remaining 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. (Capital Outlay Appropriation Act footnote)

<sup>2/</sup> The State Department of Corrections shall report monthly to the Joint Legislative Budget Committee Staff on the status of the projects funded under this section. The department may not spend any of this appropriation on Personal Services or overhead expenses related to the management of the funded projects. (Capital Outlay Appropriation Act footnote)

<sup>3/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2013 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 2013 that are unexpended or unencumbered on June 30, 2014 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2012, Chapter 295 (FY 2013 Capital Outlay Bill).

### **Building Renewal**

The budget includes \$15,611,600 from Other Appropriated Funds in FY 2013 for Building Renewal within the ADOA Building System. This amount consists of:

- \$10,372,600 from the Capital Outlay Stabilization Fund (COSF) to ADOA, of which \$1,700,000 shall be used to purchase a generator for the Arizona State Hospital. This funds 39% of the non- Department of Corrections (ADC) building renewal formula. In FY 2012, the non-ADC formula was funded at \$6,500,000 from COSF, or 26%. A portion of the \$3,872,600 COSF increase is in part due to funding decisions made during the prior legislative session. *(Please see the Additional Legislation section for more information.)*
- \$523,300 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.
- \$85,200 from the State Lottery Fund to the Arizona State Lottery Commission to fund 100% of the building renewal formula.
- \$4,630,500 from the ADC Building Renewal Fund to ADC for ADC building renewal and preventative maintenance projects. This funds 33% of the ADC-only building renewal formula. The same amount was funded in FY 2012, which represented 35% of the ADC-only formula.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The budget continues 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, 2014.

### **Individual Projects**

#### **Department of Administration**

##### **Maximum Security Prison Beds**

The budget includes \$20,000,000 from the General Fund in FY 2013 and \$30,000,000 from the General Fund in FY 2014 to ADOA for the construction of 500 male, state-run, maximum security prison beds. The beds are scheduled to open in FY 2015. *(Please see the ADC agency write-up for more information.)*

#### **Game and Fish Department**

The budget includes \$1,030,000 from Other Appropriated Funds in FY 2013 for Arizona Game and Fish Department projects. This amount consists of:

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

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

##### **Property Maintenance**

The budget includes \$500,000 from the Game and Fish Capital Improvement Fund in FY 2013 for the maintenance of commission owned or operated properties. This project was also funded at \$500,000 in FY 2012. Of the \$500,000 amount, \$250,500 will provide maintenance to supplement the base operational budgets for over 20 actively managed wildlife areas and administrative properties across the state. The remaining \$249,500 will be used to fund proposed projects on these properties that have to be annually reviewed by the department's Lands Council, which gives priority to health/life safety projects, facilities and habitat restoration, and preservation of assets, respectfully.

##### **Dam Maintenance**

The budget includes \$500,000 from the Game and Fish Capital Improvement Fund in FY 2013 for maintenance, repairs, and modifications in compliance with dam safety regulations. This project was also funded at \$500,000 in FY 2012. The department operates 38 dams. Maintenance will be performed on specific problems related to 7 dams while 31 dams will receive maintenance due to leakage, vegetation, or safety concerns.

- <sup>4/</sup> 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. (Capital Outlay Appropriation Act footnote)
- <sup>5/</sup> Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- <sup>6/</sup> Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- <sup>7/</sup> The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)
- <sup>8/</sup> 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, 2012. (Capital Outlay Appropriation Act footnote)

### Preventative Maintenance

The budget includes \$30,000 from the Game and Fish Fund in FY 2013 to provide funding for preventative maintenance. The program was initiated in FY 2005 and was anticipated to receive ongoing annual funding. The program addresses unexpected facility maintenance expenses requiring immediate action and is separate from building renewal projects.

### Lottery Commission

#### Fire Alarm Replacement

The budget includes \$156,300 from the State Lottery Fund in FY 2013 to replace the commission's original fire alarm system. The monies will also be used to complete the conversion of the fire suppression system in their computer room.

### Additional Legislation

#### COSF Rental Rate Change & Payment Adjustments

The budget includes \$0 net General Fund changes in all lease-purchase and rental charges. In total funds, the net increase is \$701,200 (see page 272). The lease-purchase and rent changes include the following adjustments:

	<u>General Fund</u>	<u>Total Funds</u>
• Retired Lease-Purchase	\$(3,021,500)	\$(3,997,500)
• Convert Space to Rent	3,671,500	6,467,900
• Secretary of State & Other Adjustments	895,900	788,400
• Rent Rate Reduction	<u>(1,545,900)</u>	<u>(2,557,600)</u>
	\$ 0	\$ 701,200

#### Retired Lease-Purchase

The FY 1991 and FY 1992 lease-purchase agreements that were refinanced in FY 2001 and FY 2004 were paid off in FY 2012. The completion of the lease-purchase payments will result in FY 2013 savings of \$(3,997,500), including \$(3,021,500) from the General Fund. The properties associated with these lease-purchase agreements will become state-owned properties and COSF rent will begin to be paid to ADOA on the properties beginning in FY 2013.

#### Convert Space to Rent

Converting the FY 1991 and FY 1992 lease-purchase agreement payments into COSF payments will begin to bring in additional rental income of \$6,467,900 in FY 2013, including \$3,671,500 from the General Fund.

#### Secretary of State & Other Adjustments

The \$895,900 in General Fund adjustments and \$43,400 in Other Fund adjustments consist of 4 main changes.

1. During the prior legislative session, the decision was made to fund the Secretary of State's (SOS) Polly Rosenbaum and Records Management buildings

beginning in FY 2013. Rent for Polly Rosenbaum would have been \$1,836,500, and rent for the Records Management building would have been \$349,900. Based on the rental rates at that time, the combined rent for both buildings would have been \$2,186,400. (The actual rental charges will vary since statewide rental rates will decline in FY 2013, as discussed below.) Of the \$2,186,400, \$600,000 is appropriated in ADOA's operating budget for operating and utility costs associated with the Polly Rosenbaum building.

2. The FY 2013 Budget Procedures Bill (BRB) (Laws 2012, Chapter 296) includes a provision that exempts the Arizona State Schools for the Deaf and the Blind (ASDB) and the Arizona Historical Society's Papago Park Museum from paying COSF rent to ADOA since these facilities are not managed or maintained by ADOA. No longer charging rent for these facilities will result in General Fund savings of \$(1,212,200), of which \$(128,200) is from ASDB and \$(1,083,900) is from the Historical Society.
3. The SOS's Library for the Blind facility had its last lease-purchase payment in FY 2012, which means it would convert to COSF rental space beginning in FY 2013. However, since SOS and not ADOA will continue to manage and maintain this space, SOS will not pay ADOA rent for the library. Not charging SOS COSF rent for this location will result in General Fund savings of \$(252,000). This savings amount is allocated to ADOA for Building Renewal by the General Appropriation Act (Laws 2012, Chapter 294, Section 132). ADOA's FY 2013 Building Renewal appropriation of \$10,372,500 includes this \$252,000 allocation.
4. Adjustments were also made for changes in Privatized Lease-to-Own and lease-purchase payments.

#### Rent Rate Reduction

The prior adjustments result in a \$1,545,900 increase in the General Fund lease-purchase and rent payment. To offset that increase, the state rental rate was adjusted downward accordingly.

In order for all these adjustments to have a net General Fund impact of \$0, the office space rental rate is reduced from \$15.08/square foot to \$13.82/square foot and the storage space rental rate from \$5.47/square foot to \$5.01/square foot, which was included in the FY 2013 Budget Procedures BRB. This will result in FY 2013 COSF rental collections of \$27,975,400, which is an increase of \$4,230,800 over the FY 2012 amount.

*COSF Uses*

COSF rental income is used to pay for the following:

- ADOA Operating \$17,278,700
- SOS Rosenbaum/  
Records Operating 600,000
- DHS Rent 1,146,500
- ADOA Building Renewal 10,372,600  
\$29,397,800

With revenues of \$27,975,400 and total appropriations of \$29,397,800, ADOA may have to reduce its Building Renewal allocation as required by Section 1B of the Capital Outlay Bill.

***Other COSF Related Legislation***

Several agencies are moving from state-owned space into other state-owned space in the Executive Tower, Land Department, and Juvenile Corrections buildings. The rent plan starting on page 284 does not reflect those agencies. Statute requires agencies occupying state-owned buildings to pay the higher of the amount reported by the Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based upon actual occupancy. To hold agencies harmless from these adjustments, the FY 2013 Budget Procedures BRB notwithstanding statute and requires state agencies to pay the amount included in each agency's FY 2013 annual operating budget as reported by the JLBC Staff.

The FY 2013 Budget Procedures BRB includes a legislative intent statement that the rental rates will be converted from usable square feet to rentable square feet in FY 2014 if there is no General Fund impact. Also included in the BRB is legislation that conforms the JLBC building status to other legislative buildings.

The General Appropriation Act includes a legislative intent statement that the Auditor General not be charged rent for its state-owned space at the Sun State Building beginning in FY 2014 if this space still continues to be maintained by ADOA and still qualifies for ADOA Building Renewal monies. Since statute exempts legislative agencies from paying rent on state-owned space, this provision would clarify that the Auditor General should not be paying COSF rent for its state-owned space at the Sun State Building. The bill also includes a legislative intent statement that the Department of Health Services pays no more than \$908,900 for rent of their state-owned space in FY 2013.

### Lease-Purchase and Rent Adjustments - Detail by Agency

	FY 2012 Lease-Purchase Retirement				Convert Lease-Purchase Payments to Rent				Other Lease-Purchase PLTO Adjustments 1/				Reduction in COSF Rent Rate				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Accountancy, AZ State Board of																				
Acupuncture Board of Examiners																				
Administration, AZ Dept. of	(2,031,200)	(3,400)	0	(2,034,600)	0	38,900	0	38,900	19,700	50,500	5,300	75,500	0	(300)	0	(300)	(2,020,800)	(300)	0	(2,021,100)
Administrative Hearings, Office of													(5,400)	(1,200)	(10,000)	(16,600)	(5,400)	(1,200)	(10,000)	(16,600)
Agriculture, AZ Dept. of													(31,200)	(8,700)	(11,600)	(51,500)	(31,200)	(8,700)	(11,600)	(51,500)
Appraisal, State Board of													(600)	(2,200)	0	(2,200)	(600)	(2,200)	0	(2,200)
AZ Health Care Cost Containment System													(600)	0	(700)	(1,300)	(600)	0	(700)	(1,300)
Arts, AZ Commission on the													0	0	(5,300)	(5,300)	0	0	(5,300)	(5,300)
Attorney General - Dept. of Law	(225,000)	(79,000)	0	(304,000)	1,115,700	392,000	0	1,507,700	(153,000)	(69,600)	(35,000)	(257,600)	737,700	243,400	(35,000)	946,100	737,700	243,400	(35,000)	946,100
Auditor General													(26,800)	0	0	(26,800)	(26,800)	0	0	(26,800)
Automobile Theft Authority													0	(2,500)	0	(2,500)	0	(2,500)	0	(2,500)
Barbers, Board of													0	(900)	0	(900)	0	(900)	0	(900)
Charter Schools, State Board for													(4,400)	0	0	(4,400)	(4,400)	0	0	(4,400)
Citizens Clean Election Commission	0	0	(300)	(300)	0	0	61,000	61,000	0	0	(5,100)	(5,100)	0	0	(5,100)	(5,100)	0	0	55,600	55,600
Contractors, Registrar of													0	(3,800)	0	(3,800)	0	(3,800)	0	(3,800)
Corporation Commission													(600)	(91,600)	(300)	(92,500)	(600)	(91,600)	(300)	(92,500)
Corrections, State Dept. of									(3,100)	0	0	(3,100)	(129,900)	0	0	(129,900)	(133,000)	0	0	(133,000)
Criminal Justice Commission, AZ									0	300	4,200	4,500	0	0	0	0	0	300	4,200	4,500
Deaf & the Blind, AZ State Schools for the									(128,200)	(132,600)	(181,300)	(442,100)	0	0	0	0	(128,200)	(132,600)	(181,300)	(442,100)
Deaf & Hard of Hearing, Commission for the									0	5,100	0	5,100	0	(9,100)	0	(9,100)	0	(9,100)	0	(9,100)
Economic Security, Dept. of	(80,800)	(56,100)	(29,800)	(166,700)	398,400	311,100	129,500	839,000	(204,200)	(91,400)	(75,900)	(371,500)	113,400	163,600	23,800	300,800	113,400	163,600	23,800	300,800
Education, Dept. of									(26,200)	(10,200)	(54,400)	(90,800)	(26,200)	(10,200)	(54,400)	(90,800)	(26,200)	(10,200)	(54,400)	(90,800)
Environmental Quality, Dept. of									0	94,600	0	94,600	0	(9,800)	0	(9,800)	0	84,800	0	84,800
Environmental Quality, Dept. of - WIFA									0	0	2,700	2,700	0	0	0	0	0	0	2,700	2,700
Equal Opportunity, Governor's Office of									(1,300)	0	0	(1,300)	(1,300)	0	0	(1,300)	(1,300)	0	0	(1,300)
Equalization, State Board of									2,100	0	0	2,100	(100)	0	0	(100)	2,000	0	0	2,000
Executive Clemency, Board of									(6,700)	0	0	(6,700)	(6,700)	0	0	(6,700)	(6,700)	0	0	(6,700)
Financial Institutions, Dept. of									(13,700)	(2,700)	0	(16,400)	(13,700)	(2,700)	0	(16,400)	(13,700)	(2,700)	0	(16,400)
Fire, Building, & Life Safety, Dept. of									3,400	0	1,300	4,700	(2,100)	0	(1,200)	(3,300)	1,300	0	100	1,400
Forester, State									2,600	0	0	2,600	0	0	0	0	2,600	0	0	2,600
Funeral Directors & Embalmers, State Board of									0	(1,100)	0	(1,100)	0	(1,100)	0	(1,100)	0	(1,100)	0	(1,100)
Gaming, Dept. of									0	(1,400)	0	(1,400)	0	(1,400)	0	(1,400)	0	13,200	0	13,200
Geological Survey, AZ									(13,200)	0	0	(13,200)	(13,200)	0	0	(13,200)	(13,200)	0	0	(13,200)
Governor, Office of the									(45,400)	0	(9,900)	(55,300)	(45,400)	0	(9,900)	(55,300)	(45,400)	0	(9,900)	(55,300)
Gov's Ofc of Strategic Planning & Budgeting									(7,900)	0	0	(7,900)	(7,900)	0	0	(7,900)	(7,900)	0	0	(7,900)
Health Services, Dept. of	0	(8,600)	0	(8,600)	0	37,700	0	37,700	(9,700)	500	0	(9,200)	(25,300)	(99,000)	0	(124,300)	(35,000)	(69,400)	0	(104,400)
Historical Society, AZ									(1,083,900)	0	0	(1,083,900)	(31,400)	0	0	(31,400)	(1,115,300)	0	0	(1,115,300)
Homeland Security, AZ Dept. of									0	0	(9,000)	(9,000)	0	0	(9,000)	(9,000)	0	0	(9,000)	(9,000)
Homeopathic & Integ. Med. Exam., St. Bd. of									0	(400)	0	(400)	0	(400)	0	(400)	0	(400)	0	(400)
Housing, Dept. of									0	700	11,100	11,800	0	700	11,100	11,800	0	700	11,100	11,800
Independent Redistricting Commission									(2,300)	0	0	(2,300)	(2,300)	0	0	(2,300)	(2,300)	0	0	(2,300)
Indian Affairs, AZ Commission of									(700)	0	0	(700)	(700)	0	0	(700)	(700)	0	0	(700)
Insurance, Dept. of									0	0	1,300	1,300	(27,300)	0	(9,800)	(37,100)	(27,300)	0	(8,500)	(35,800)
Judiciary - Court of Appeals									(38,400)	0	0	(38,400)	(38,400)	0	0	(38,400)	(38,400)	0	0	(38,400)
Judiciary - Supreme Court									(283,500)	0	0	(283,500)	(283,500)	0	0	(283,500)	(283,500)	0	0	(283,500)
Juvenile Corrections, Dept. of	(800)	0	0	(800)	216,600	0	0	216,600	(59,900)	0	0	(59,900)	155,900	0	0	155,900	155,900	0	0	155,900
Land Dept., State	0	(3,800)	0	(3,800)	0	941,400	0	941,400	0	(78,600)	0	(78,600)	0	859,000	0	859,000	0	859,000	0	859,000
Liquor License & Control, Dept. of									0	(2,200)	0	(2,200)	0	(2,200)	0	(2,200)	0	(2,200)	0	(2,200)
Medical Board, AZ									0	(20,200)	0	(20,200)	0	(20,200)	0	(20,200)	0	(20,200)	0	(20,200)
Mine Inspector, State					3,200	0	0	3,200	(5,800)	0	0	(5,800)	(2,600)	0	0	(2,600)	(2,600)	0	0	(2,600)
Naturopathic Physicians Medical Board									0	(2,100)	0	(2,100)	0	(2,100)	0	(2,100)	0	(2,100)	0	(2,100)
Navigable Streams Adjudication Comm., AZ									(1,000)	0	0	(1,000)	(1,000)	0	0	(1,000)	(1,000)	0	0	(1,000)
Nursing Care Inst. Adm. & Ast. Liv. Fac. Mgr.									0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)
Opticians, State Board of Dispensing									0	(400)	0	(400)	0	(400)	0	(400)	0	(400)	0	(400)
Optometry, State Board of									0	(700)	0	(700)	0	(700)	0	(700)	0	(700)	0	(700)
Osteopathic Examiners, AZ Board of									0	(2,900)	0	(2,900)	0	(2,900)	0	(2,900)	0	(2,900)	0	(2,900)
Parks Board, AZ State	0	0	(607,000)	(607,000)	0	0	66,900	66,900	0	0	(30,100)	(30,100)	0	0	(30,100)	(30,100)	0	0	(570,200)	(570,200)
Personnel Board									0	(1,800)	0	(1,800)	0	(1,800)	0	(1,800)	0	(1,800)	0	(1,800)
Pest Management, Office of									0	(13,700)	0	(13,700)	0	(13,700)	0	(13,700)	0	(13,700)	0	(13,700)
Pharmacy, AZ State Board of									0	(7,800)	0	(7,800)	0	(7,800)	0	(7,800)	0	(7,800)	0	(7,800)
Podiatry Examiners, State Board of									0	(300)	0	(300)	0	(300)	0	(300)	0	(300)	0	(300)
Private Postsecondary Ed., State Board for									0	(1,100)	(300)	(1,400)	0	(1,100)	(300)	(1,400)	0	(1,100)	(300)	(1,400)
Psychologist Examiners, State Board of									0	(1,200)	0	(1,200)	0	(1,200)	0	(1,200)	0	(1,200)	0	(1,200)
Public Safety, Dept. of									(7,000)	(1,800)	(1,900)	(10,700)	(7,000)	(1,800)	(1,900)	(10,700)	(7,000)	(1,800)	(1,900)	(10,700)
Racing, AZ Dept. of									3,700	0	0	3,700	3,700	0	0	3,700	3,700	0	0	3,700
Real Estate Dept., State									(21,700)	0	0	(21,700)	(21,700)	0	0	(21,700)	(21,700)	0	0	(21,700)
Residential Utility Consumer Office									0	2,800	0	2,800	0	2,800	0	2,800	0	2,800	0	2,800
Respiratory Care Examiners, Board of									0	(1,400)	0	(1,400)	0	(1,400)	0	(1,400)	0	(1,400)	0	(1,400)
Revenue, Dept. of	(364,900)	(188,000)	0	(552,900)	1,587,700	817,900	0	2,405,600	(147,000)	(75,600)	0	(222,600)	1,075,800	554,300	0	1,630,100	1,075,800	554,300	0	1,630,100
Rio Nuevo									0	0	1,200	1,200	0	0	1,200	1,200	0	0	1,200	1,200
School Facilities Board									(6,200)	0	(2,500)	(8,700)	(6,200)	0	(2,500)	(8,700)	(6,200)	0	(2,500)	(8,700)
Secretary of State - Dept. of State	(318,800)	0	0	(318,800)	349,900	0	0	349,900	(199,700)	0	0	(199,700)	1,667,900	0	0	1,667,900	1,667,900	0	0	1,667,900
State Boards' Office									0	(600)	0	(600)	0	(600)	0	(600)	0	(600)	0	(600)
Tax Appeals, State Board of									800	0	0	800	800	0	0	800	800	0	0	800
Technical Registration, State Board of									0	4,300	0	4,300	0	4,300	0	4,300	0	4,300	0	4,300
T																				

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

FY 2013  
 APPROVED

<b>BUILDING RENEWAL</b>	
ADOT Building Renewal <sup>1/</sup>	1,050,000
<b>SUBTOTAL</b>	<b>1,050,000</b>
<b>INDIVIDUAL PROJECTS <sup>2/</sup></b>	
Airport Planning and Development <sup>3/</sup>	21,924,900
Statewide Highway Construction <sup>4/5/</sup>	224,807,000
<b>SUBTOTAL</b>	<b>246,731,900</b>
<b>TOTAL - ALL PROJECTS <sup>6/7/</sup></b>	<b>247,781,900</b>
<b>FUND SOURCES</b>	
<u>Other Appropriated Funds</u>	
State Aviation Fund	21,974,900
State Highway Fund	225,807,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>247,781,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>247,781,900</b>
Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
<b>TOTAL - ALL SOURCES</b>	<b>1,257,466,900</b>

**DESCRIPTION** — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

- <sup>1/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2013 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 2013 that are unexpended or unencumbered on June 30, 2014 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- <sup>2/</sup> 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. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- <sup>5/</sup> The Department of Transportation shall annually report on or before September 1 to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall delineate expenditures by each individual fund source. (Capital Outlay Appropriation Act footnote)
- <sup>6/</sup> Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- <sup>7/</sup> Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2012, Chapter 295 (FY 2013 Capital Outlay Bill).

**Building Renewal**

The budget includes \$1,050,000 in FY 2013 for Building Renewal within ADOT’s Building System. 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 9.9% funding of the revised highways building renewal formula and 28.4% funding of the aviation building renewal formula.

**Airport Planning and Development**

The budget includes \$21,924,900 from the State Aviation Fund in FY 2013 for ADOT’s airport construction program. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of the Grand Canyon Airport.

**Statewide Highway Construction**

The budget includes \$224,807,000 from SHF in FY 2013 for controlled access, debt service on bonds, and new construction. A footnote in the FY 2013 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction (*please see Footnote 4*). The Statewide Highway Construction appropriation typically includes funding for controlled access, debt service, and new construction.

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$84,554,000 from SHF in FY 2013. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service

The budget includes \$121,803,000 from SHF in FY 2013 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,800,000,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2013 debt service payments. (*See Table 3 for more information on debt service.*)

New Construction

The budget includes \$18,450,000 from SHF in FY 2013 for highway construction. Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board’s 5-year plan after all other allocations have been made. Please see *Table 6* for the HURF distribution analysis, which shows

that after implementing statewide adjustments \$18,038,000 of net SHF monies will be available for statewide highway construction in FY 2013 rather than \$18,450,000. (*Please see the Summary of Highway Construction section and Table 6 for additional information.*)

*Table 1* shows the allocation of the enacted budget related to highway construction.

<b>Table 1</b>	
<b>FY 2013 Highway Construction &amp; Debt Service</b>	
	<u>Capital Outlay Bill</u>
Controlled Access	\$ 84,554,000
Debt Service	121,803,000
Highway Construction	<u>18,450,000</u>
<b>Total</b>	<b>\$224,807,000</b>

As noted in the HURF distribution table (*please see Table 6*), an additional amount of \$228,000,000 from unspent FY 2012 State Highway monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2013.

**Summary of Non-Appropriated Capital Funds**

*Table 2* provides a summary of non-appropriated capital fund expenditures. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget section of the *FY 2013 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

<b>Table 2</b>			
<b>Non-Appropriated Capital Funds</b>			
<b>(\$ in Thousands)</b>			
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 5,695	\$ 4,680	\$ 4,680
Federal Grants	<u>624,000</u>	<u>624,000</u>	<u>624,000</u>
<b>Subtotal – Federal Funds</b>	<b>\$629,695</b>	<b>\$ 628,680</b>	<b>\$ 628,680</b>
Economic Strength Project Fund	\$ 1,005	\$ 1,005	\$ 1,005
Local Agency Deposits Fund	50,000	50,000	50,000
Maricopa Regional Area Road Fund	317,900	325,000	330,000
<b>Subtotal – Other Non-Appropriated Funds</b>	<b>\$368,905</b>	<b>\$ 376,005</b>	<b>\$ 381,005</b>
<b>Total</b>	<b>\$998,600</b>	<b>\$1,004,685</b>	<b>\$1,009,685</b>

### Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 17, 2011 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 \$1,343,736,000 for FY 2013, including \$989,517,000 for construction and maintenance projects scheduled to begin in FY 2013, and \$354,219,000 for debt service. These estimates may be further modified once a new 5-Year Highway Construction Program (FY 2013 - 2017) is adopted by the board on June 15, 2012. (Please see Table 3 for additional details.)

#### Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. Table 4 summarizes all estimated revenues and expenditures for FY 2013, on a cash flow basis as provided by ADOT. Table 3, 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 2013.

Of the revenue amounts in Table 4, 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.

Table 3

#### Highway Construction Projects Beginning in FY 2013 and Debt Service Payments (\$ in Thousands)

	<u>FY 2013</u> <sup>1/</sup>
Construction	\$ 183,780
Urban Controlled Access <sup>2/</sup>	502,674
Pavement Preservation Maintenance	219,695
Other <sup>3/</sup>	83,368
Debt Service <sup>4/</sup>	<u>354,219</u>
<b>Total</b>	<b>\$1,343,736</b>

<sup>1/</sup> These amounts are subject to change pending the upcoming board meeting on June 15, 2012. Data from ADOT's 2012-2016 5-Year Transportation Facilities Construction Program.

<sup>2/</sup> Includes expenditures from HURF for controlled access and from the Maricopa Regional Area Road Fund.

<sup>3/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

<sup>4/</sup> Information provided by the department. Includes \$121,803,000 for SHF statewide construction bonds; \$34,015,000 for HURF, MAG, and PAG controlled access bonds; \$135,879,000 for Maricopa Regional Area Road Fund Bonds; and \$62,522,000 for Grant Anticipation Notes as of November 1, 2011.

Table 4

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

	<u>FY 2013</u>
<b>Balance Forward</b> <sup>1/</sup>	<b>\$ 469,127</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction	\$ 18,450
Appropriated Controlled Access Highways (MAG & PAG)	84,554
Appropriated Debt Service	121,803
½ Cent Sales Tax	183,900
Federal Aid	828,665
Maricopa Regional Area Road Fund Bond Proceeds <sup>2/</sup>	90,000
Miscellaneous Income/Expenses <sup>3/</sup>	<u>8,673</u>
Subtotal - Revenues	<u>\$1,336,045</u>
<b>Total Funds Available for Construction</b>	<b>\$1,805,172</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	\$ 121,803
Other Debt Service (All Other) <sup>4/</sup>	<u>232,416</u>
Subtotal - Debt Service	\$ 354,219
<b>Planned Construction Expenditures</b>	
Statewide Highway Construction (including PAG)	\$ 634,798
Controlled Access Highways (MAG)	<u>754,809</u>
Subtotal - Construction Expenditures	<u>\$1,389,607</u>
<b>Total Planned Expenditures</b>	<b>\$1,743,826</b>
<b>Balance Forward</b>	<b>\$ 61,346</b>

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

<sup>2/</sup> Proceeds reflect a cash expenditure basis.

<sup>3/</sup> 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.

<sup>4/</sup> See footnote 4 on Table 3 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 (VLT), vehicle registration, driver's license, and others. Table 5 explains the formula distribution of HURF monies between state and local governments. Table 6 presents the overall HURF distribution for FY 2011 through FY 2013. The line in Table 6, 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 2011 HURF collections of \$1,205,073,100 were 0.9% above FY 2010. The budget assumes a 0.9% increase in total HURF revenue collections in FY 2012 followed by a 1.2% increase in FY 2013. As of April 2012, however, HURF year-to-date collections are up 0.2% as compared to the prior year.

The increase in HURF collections in FY 2011 was due to growth in all major HURF revenue categories with the exception of VLT. Overall, registered vehicles in Arizona are depreciating because fewer people are buying newer cars; hence, VLT revenue decreased (2.4)% from FY 2010. Gas tax collections were virtually flat at an increase of 0.2% over the prior fiscal year and registration revenues increased 2.6%. Increased commercial trucking led to growth in the use fuel tax (diesel) and the motor carrier fee in FY 2011.

The FY 2013 General Appropriation Act transfers the funding source of the Motor Vehicle Division’s (MVD) operating budget of \$86,255,600 from HURF back to SHF in FY 2013. Subsequently, the 10 least populated counties will no longer receive \$4,090,000 to hold them harmless from the MVD funding shift.

Cities and counties receive 49.5% of HURF revenues. As a result of the MVD funding shift in FY 2013, counties will receive increased HURF revenues of \$16,388,600, and cities and towns will receive increased HURF revenues of \$26,307,900. This shift increases HURF revenues to SHF by \$43,559,100, but SHF will absorb the cost of the MVD operating budget, resulting in a net negative impact on SHF of \$(42,696,500).

The FY 2013 General Appropriation Act also discontinues a \$105,821,700 transfer of the SHF share of HURF VLT to the General Fund. Since controlled access highways’ 15.2% of SHF is calculated after the VLT transfer, the combined result of the MVD funding shift, the discontinued VLT transfer, and the discontinued transfer to the 10 least populated counties results in an increase of \$23,327,600 for controlled access highways. The remainder of controlled access highways’ increase from FY 2012 to FY 2013 is due to the projected increase of HURF revenue in FY 2013.

A new footnote in the Capital Outlay Bill requires ADOT to report annually to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all pertinent funds.

Cities	30.5%
Counties	19.0%
Controlled Access <sup>1/</sup>	7.7%
State Highway Fund <sup>1/</sup>	<u>42.8%</u>
<b>Total</b>	<b>100.0%</b>

<sup>1/</sup> 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 6

**Highway User Revenue Fund (HURF) Distribution**  
(\$ in Thousands)

	<b>FY 2011</b> <b>Actual</b>	<b>FY 2012</b> <b>Estimate</b>	<b>FY 2013</b> <b>Estimate</b>
<b>Total HURF Collections</b>	\$1,205,073	\$1,216,300	\$1,230,900
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program <sup>2/</sup>	620	670	626
MVD Operating Budget <sup>3/</sup>	0	88,684	0
Dept. of Public Safety Transfer from HURF <sup>4/</sup>	<u>79,216</u>	<u>123,211</u>	<u>119,961</u>
<b>Net HURF Collections</b>	<b>1,124,237</b>	<b>1,002,735</b>	<b>1,109,313</b>
Less: Cities <sup>5/</sup>	342,892	305,834	338,340
Counties <sup>5/</sup>	213,605	190,520	210,769
VLT Transfer to General Fund <sup>6/</sup>	43,619	105,822	0
VLT Transfer to Parity Compensation Fund <sup>7/</sup>	2,399	2,399	2,481
VLT Transfer to General Fund (5-Year VLT) <sup>8/</sup>	944	500	500
VLT Transfer to General Fund (Abandoned Vehicle) <sup>9/</sup>	77	946	946
Distribution to 10 Least Populated Counties <sup>10/</sup>	0	4,090	0
Controlled Access <sup>11/</sup>	<u>79,147</u>	<u>59,679</u>	<u>84,554</u>
<b>Net SHF (Discretionary)</b>	<b>441,554</b>	<b>332,945</b>	<b>471,723</b>
Plus: Other Income <sup>12/</sup>	19,246	19,618	19,426
Less: Operating Budget <sup>13/</sup>	325,795	243,855	326,164
Dept of Public Safety Transfer from Highway Fund	41,256	0	6,780
Operating Carryovers, Adjustments and Transfers <sup>14/</sup>	5	5	5
Capital Outlay and Building Renewal	1,000	1,000	1,000
Motor Vehicle Third Party Payments <sup>15/</sup>	17,436	17,150	17,359
Debt Service <sup>16/</sup>	<u>94,763</u>	<u>122,119</u>	<u>121,803</u>
<b>Net SHF Available for Statewide Highway Construction (5-Year Plan) <sup>17/</sup></b>	<b>(19,455)</b>	<b>(31,566)</b>	<b>18,038</b>
<b>SHF Adjustments</b>			
Plus: Controlled Access SHF Beginning Balance	180,100	185,400	190,000
STAN Account Beginning Balance	<u>55,370</u>	<u>38,341</u>	<u>38,000</u>
<b>Total SHF Available for Statewide Highway Construction</b>	<b>\$ 216,015</b>	<b>\$ 192,175</b>	<b>\$ 246,038</b>

- <sup>1/</sup> Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.
- <sup>2/</sup> The FY 2012 General Appropriation Act allocates \$669,500 from HURF for the Registration Compliance Program in FY 2012. This amount includes \$(300) in statewide adjustments and \$45,000 for an additional pay period. The FY 2013 General Appropriation Act amount of \$625,600 discontinues the additional pay period funding, but it includes \$800 for statewide adjustments.
- <sup>3/</sup> The FY 2012 General Appropriation Act shifted the funding for the Motor Vehicle Division (MVD) from SHF to HURF. The \$88,684,100 amount is designated for the MVD operating budget. This amount includes \$(16,000) in statewide adjustments and \$2,428,200 for an additional pay period. The FY 2013 General Appropriations Act shifts the funding for MVD back to SHF.
- <sup>4/</sup> The FY 2012 General Appropriation Act adjusted the amount transferred to the Department of Public Safety (DPS) from HURF to \$123,210,600. This amount includes \$(775,900) in statewide adjustments and \$3,249,600 for an additional pay period. The FY 2013 General Appropriation Act amount of \$119,961,000 continues the FY 2012 statewide adjustments.
- <sup>5/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- <sup>6/</sup> In FY 2011, the \$43,618,600 VLT transfer consists of: a \$28,000,000 continued FRAT, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, an \$8,390,600 VLT transfer, and a \$448,000 SETIF transfer to the General Fund. In FY 2012, the \$105,821,700 VLT transfer consists of: a \$28,000,000 FRAT, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, an \$8,390,600 VLT transfer, a \$448,000 SETIF transfer to the General Fund, \$23,588,500 in DPS funding shift savings, and \$38,614,600 in MVD funding shift savings. The FY 2013 General Appropriation Act discontinues these VLT transfers to the General Fund.
- <sup>7/</sup> Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.
- <sup>8/</sup> Laws 2010, 7th Special Session, Chapter 12 and Laws 2011, Chapter 28 transfers SHF share of the HURF VLT to the State General Fund that is generated from the difference between a 2-year registration and a 5-year registration.
- <sup>9/</sup> Laws 2010, 7th Special Session, Chapter 12 and Laws 2011, Chapter 28 also transfers SHF share of the HURF VLT to the State General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4801A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.
- <sup>10/</sup> Laws 2011, Chapter 28 requires ADOT to transfer \$4,090,000 from SHF in FY 2012 to the 10 least populated counties to hold them harmless from the MVD funding shift. The FY 2013 General Appropriation Act discontinues this transfer.
- <sup>11/</sup> 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.
- <sup>12/</sup> Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. In FY 2011 only, this amount includes \$18,177,500 in miscellaneous revenue, \$448,000 in transfers from SETIF to SHF, and \$620,400 for the Registration Compliance Program. In FY 2012 only, this amount includes \$18,500,000 in miscellaneous revenue, \$448,000 in transfers from SETIF to SHF, and \$669,500 for the Registration Compliance Program. The FY 2013 General Appropriation Act discontinues the \$448,000 transfer from SETIF to SHF, but the FY 2013 estimate of \$19,425,600 includes \$18,800,000 in miscellaneous revenue and \$625,600 for the Registration Compliance program.
- <sup>13/</sup> In FY 2012, the operating budget consists of \$243,855,100 of SHF (this amount includes \$(28,800) in statewide adjustments and \$4,360,900 for an additional pay period) and excludes MVD, which is funded from HURF. The FY 2013 General Appropriation Act amount of \$326,163,600 includes \$413,800 in statewide adjustments and includes MVD.
- <sup>14/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.
- <sup>15/</sup> Statutory payments to third parties from VLT collected by third parties.
- <sup>16/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
- <sup>17/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction. Since SHF cannot literally run a deficit, this balance will be offset by other SHF adjustments listed below.

**Capital Outlay**  
**Arizona Board of Regents Building System**

FY 2013  
 APPROVED

**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, 1<sup>st</sup> Special Session, Chapter 6 and Laws 2009, 3<sup>rd</sup> 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 were issued in April, June, and August 2010, as well as in May 2011. To date \$163,430,000 of the favorably reviewed \$167,671,200 has been issued. In September 2011, the Committee favorably reviewed \$32,390,000 for ASU building renewal projects, of which \$30,915,000 was issued in November 2011.

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 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. As a result, ASU's \$43,235,000 portion of the \$172,940,000 will not be issued. The University of Arizona (UA) issued \$122,245,000 in June 2010. Northern Arizona University (NAU) planned to issue \$7,685,000 in late spring 2011 but decided in March 2011 to pay for its \$7,685,000 portion in cash.

All of the NAU and UA bonds and 73% of the ASU bonds that were issued prior to December 2010 were issued as Build America Bonds (BABs). BABs, which expired December 2010, were taxable bonds which entitled the issuing entity to a 35% interest subsidy from the federal government. This left the issuing entity paying the remaining 65% of interest costs, together with principal, associated with the lease-purchase agreement.

Between the Phoenix Biomedical Campus and building renewal projects, \$316,590,000 of the Chapter 287 authority has been issued. At this time, a total of \$483,410,000 in remaining authority is available for university lottery bonding projects, including \$253,755,000 for Phoenix Biomedical Campus expansion. See *Table 1* for the statutory distribution amounts, the actual issuances, and the remaining bonding authority by university.

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. The \$316,590,000 of issuances will result in a total debt service payment of \$12,990,800 in FY 2013.

After all Lottery revenue beneficiaries receive 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 \$4,766,200 in FY 2013, which would not cover the \$10,392,700 maximum 80% Lottery portion of the debt service. This results in the universities backfilling the Lottery shortfall of \$(5,626,500) and also covering their minimum 20% share of the payment, which is \$2,598,100, for a total university payment of \$8,224,600 in FY 2013.

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 2 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.

<b>University Issuances</b>				
<b>Purpose</b>	<b>Statutory Distribution</b>	<b>Actual Issuance</b>	<b>Remaining Authority</b>	<b>University</b>
Phoenix Biomedical Campus	\$376,000,000	\$122,245,000	\$253,755,000	UA
ASU's School of Construction	16,000,000	0	16,000,000	ASU
Building Renewal/ New Construction	136,000,000	64,735,000	71,265,000	ASU
	136,000,000	64,785,000	71,215,000	NAU
	<u>136,000,000</u>	<u>64,825,000</u>	<u>71,175,000</u>	UA
<b>TOTAL</b>	<b>\$800,000,000</b>	<b>\$316,590,000</b>	<b>\$483,410,000</b>	

<b>University Lottery Bonding Projects <sup>1/</sup></b>							
		<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Projected Lottery Revenue to UCI Fund <sup>2/</sup>		\$ 2,864,200	\$ 4,766,200	\$11,919,300	\$19,672,700	\$27,520,400	\$35,785,700
Building Renewal Projects							
Lottery Debt Service	80%	\$ 6,205,600	\$ 6,366,400	\$ 6,366,300	\$ 6,366,300	\$14,434,400	\$14,435,800
University Debt Service	20%	<u>1,551,300</u>	<u>1,591,500</u>	<u>1,591,600</u>	<u>1,591,600</u>	<u>3,608,600</u>	<u>3,608,900</u>
<b>Total Debt Service for \$194.3 M <sup>3/</sup></b>		<b>\$ 7,756,900</b>	<b>\$ 7,957,900</b>	<b>\$ 7,957,900</b>	<b>\$ 7,957,900</b>	<b>\$18,043,000</b>	<b>\$18,044,700</b>
Phoenix Biomedical Campus							
Lottery Debt Service	80%	\$ 4,026,300	\$ 4,026,300	\$ 4,026,300	\$ 4,026,300	\$ 5,910,300	\$ 5,909,500
University Debt Service	20%	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,477,600</u>	<u>1,477,400</u>
<b>Total Debt Service for \$122.2 M <sup>4/</sup></b>		<b>\$ 5,032,900</b>	<b>\$ 5,032,900</b>	<b>\$ 5,032,900</b>	<b>\$ 5,032,900</b>	<b>\$ 7,387,900</b>	<b>\$ 7,386,900</b>
Total Lottery Share at 80%		\$10,231,900	\$10,392,700	\$10,392,600	\$10,392,600	\$20,344,700	\$20,345,300
Projected Deficit/Unused Lottery Revenues <sup>5/</sup>		\$ (7,367,700)	\$(5,626,500)	\$ 1,526,700	\$ 9,280,100	\$ 7,175,700	\$15,440,400
Projected University Cost <sup>6/</sup>		\$ 9,925,600	\$ 8,224,600	\$ 2,598,200	\$ 2,598,200	\$ 5,086,200	\$ 5,086,300

<sup>1/</sup> Represents JCCR reviewed projects. Does not reflect projects not yet reviewed by JCCR.  
<sup>2/</sup> Revenue estimates are based on a 5% annual increase in Lottery revenues.  
<sup>3/</sup> All of the building renewal bonds have been issued.  
<sup>4/</sup> UA has already issued its \$122,245,000 share, NAU will be paying cash for its \$7,685,000 share, and ASU's \$43,235,000 share will not be issued as a result of the withdrawal of their partnership from the Phoenix Biomedical Campus.  
<sup>5/</sup> Represents the difference between projected Lottery revenues and an 80% Lottery contribution to debt service. A negative amount represents a shortfall in available Lottery revenues, while a positive amount reflects unused Lottery revenue for that year and does not represent a cumulative amount.  
<sup>6/</sup> Represents the 20% university share. In FY 2012 and FY 2013 this amount includes the backfill due to a Lottery revenue shortfall.

**Capital Outlay**  
**Debt and Lease-Purchase Financing**

FY 2013  
 APPROVED

**LEASE-PURCHASE PAYMENTS\***

Arizona Department of Administration - 2010 Leaseback Financing	84,119,800
Phoenix Convention Center	5,595,000
<b>TOTAL - ALL PROJECTS</b>	<b>89,714,800</b>

\* Represents only General Fund lease-purchase payments not included in individual agency budgets. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 2.)

**FUND SOURCES**

General Fund	89,714,800
<b>TOTAL - ALL SOURCES</b>	<b>89,714,800</b>

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

**Debt Financed Projects**

**2010 Leaseback Financing**

The budget includes \$84,119,800 from the General Fund in FY 2013 for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements. This FY 2013 amount reflects a payment for both principal and interest, as payments in prior years were interest only. The FY 2012 payment totaled \$49,050,700.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3<sup>rd</sup> 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 series of issuances at an average tax-exempt interest rate of 4.57% in January 2010. These issuances range up to 20 years in period of time.

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 by making the lease-purchase payments outlined in the agreements. Unless the state exceeds its working capital reserve (see below), the certificates are not subject to early repayment until FY 2020.

The following properties were part of the agreement: the Arizona State Prison Complex (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 selected buildings at the Arizona State Schools for the Deaf and the Blind (ASDB) in Phoenix.

Additionally, Laws 2010, 6<sup>th</sup> 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 sold the entire series of issuances at an average tax-exempt interest rate of 4.37% in June 2010.

The following properties were part of the agreement: ASPC Tucson Winchester unit, AHCCCS 701 & 801 E. Jefferson buildings, DPS Tucson headquarters and forensic lab, ASDB Tucson and Phoenix selected buildings, 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. In this circumstance, the federal government essentially requires the state to set aside any cash reserves above certain thresholds. At the current time, these set aside requirements would be triggered if the state's General Fund balance, along with any monies in the Budget Stabilization Fund, exceeds 5% of General Fund spending.

In FY 2012, the enacted budget has a projected balance of \$372 million, which would be below the threshold of \$426 million. In FY 2013, the budget assumed a balance of \$699 million, which would be \$270 million above the updated 5% threshold based on FY 2013 spending.

If this threshold is ultimately met between now and FY 2014, the state is required to purchase tax-exempt securities to the extent that the balance exceeds 5%. The Treasurer may be able to meet this requirement as part of its ongoing investment of the state's operating fund balance. If these payments can be addressed as part of the state's regular investments, these funds may not need to be appropriated for this specific purpose.

The state could divest itself of these securities if the balance subsequently fell below 5%. Under current projections, the state would not have a balance in FY 2014 with the expiration of the 1-cent sales tax.

Beyond FY 2014, the state is required to commence early payback of these issuances if its balance exceeds 5%. Once having commenced early payback, that process is irrevocable.

The FY 2011 Budget Procedures BRB (Laws 2010, 7<sup>th</sup> 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. In December 2011, ADOA reported that no working capital surplus existed for FY 2011.

**Phoenix Convention Center**

The budget includes \$5,595,000 from the General Fund in FY 2013 related to the state participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. The City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs) in FY 2005. The project was completed in January 2009.

Laws 2003, Chapter 266 initially enacted a debt service schedule related to this issuance, which was later modified by the FY 2012 Revenue BRB (Laws 2011, Chapter 28). The FY 2013 payment amount reflects this new payment schedule.

**Long-Term Financing Summary**

The 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.

<b>Fund Type</b>	<b>FY 2013 Payment</b>	<b>Lease Completion</b>
General Fund	\$ 3,017,100	FY 2028
Other Approp.	8,378,400	FY 2028
Non-Approp.	1,206,100	FY 2028
<b>Total</b>	<b>\$12,601,600</b>	<b>NA</b>

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 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, 3<sup>rd</sup> 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.)*

Several lease-purchase agreements entered into during FY 1991 and FY 1992 had their final scheduled payments in FY 2012. These properties include ENSCO, Revenue building, DES group homes, Capital Center, Records Management, Library for the Blind, ASDB projects, 1616 W. Adams, and Tonto Natural Bridge.

The budget includes \$(3,021,500) from the General Fund in lease-purchase savings from the retirement of these lease-purchase agreements.

In addition, all other lease-purchase payments and PLTO payments that are made from the General Fund are budgeted to increase by \$895,900 from the General Fund in FY 2013. *(Please see the Capital Outlay ADOA Building System narrative for more information.)*

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 2013 for these retired lease-purchase agreements.

*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 to 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 a total of \$26,350,000 in QZABs through 2 issuances in FY 2001 and FY 2003. The debt service on QZABs is paid from Proposition 301 sales tax revenues and Permanent State School Fund revenues.

Laws 2010, 6<sup>th</sup> 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. Payments started in FY 2011 and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2013 bond payment will be \$37,499,600, which includes principal and interest. This will result in the General Fund receiving \$37,499,600 less in Lottery revenues in FY 2013.

The federal requirements pertaining to setting aside any cash reserves above a certain threshold also apply to the Lottery Revenue Bonds. *(Please see the 2010 Leaseback Financing section in the earlier part of this narrative for more information on these requirements.)*

<b>Table 2</b>						
<b><u>Lease-Purchase and Bonding Summary</u></b>						
<b><u>Lease-Purchase Summary</u></b>	<b><u>Overall Balance</u></b> <sup>1/</sup>	<b><u>GF Balance</u></b> <sup>1/</sup>	<b><u>Overall FY 13 Pymt.</u></b> <sup>2/</sup>	<b><u>FY 13 GF Pymt.</u></b> <sup>2/</sup>	<b><u>Retirement FY</u></b>	
<b><u>ADOA Building System</u></b>						
<b>2002A Issuance</b>						
Health Laboratory	\$ 18,245,000	\$ 0	\$ 2,317,000	\$ 0	FY23	
<b>2004B Issuance</b>						
ADC Prison Expansions	\$ 16,380,000	\$ 16,380,000	\$ 3,179,300	\$ 3,179,300	FY19	
<b>2008A Issuance</b>						
ADC 4000 Prison Beds, Water, and Wastewater	\$ 176,085,000	\$ 176,085,000	\$ 16,710,700	\$ 16,710,700	FY23, 28	
DHS Forensic Hospital	<u>24,810,000</u>	<u>24,810,000</u>	<u>3,112,700</u>	<u>3,112,700</u>	FY23	
<i>Subtotal</i>	\$ 200,895,000	\$ 200,895,000	\$ 19,823,400	\$ 19,823,400		
<b>2010 A/B Issuance</b>						
Sale/Leaseback	<u>\$ 960,995,000</u>	<u>\$ 960,995,000</u>	<u>\$ 84,119,800</u>	<u>\$ 84,119,800</u>	FY30	
<i>Subtotal - ADOA</i>	\$1,196,515,000	\$1,178,270,000	\$ 109,439,500	\$107,122,500		
<b><u>School Facilities Board</u></b>						
New School Construction - FY 2003 - FY 2005	\$ 501,920,000	\$ 501,920,000	\$ 97,145,200	\$ 97,145,200	FY20	
New School Construction - FY 2008 - FY 2009	488,575,000	488,575,000	58,647,400	58,647,400	FY24	
Qualified School Construction Bonds	91,325,000	91,325,000	11,187,300 <sup>3/</sup>	11,187,300 <sup>3/</sup>	FY28	
2011 Refinance	<u>58,785,000</u>	<u>58,785,000</u>	<u>2,449,800</u>	<u>2,449,800</u>	FY20	
<i>Subtotal - SFB</i>	\$1,140,605,000	\$1,140,605,000	\$169,429,700	\$169,429,700		
<b><u>ABOR Building System</u></b>						
Arizona State University	\$ 335,748,000	\$ 172,935,000	\$ 31,046,000	\$ 14,429,000	FY14-FY31	
Northern Arizona University	78,260,000	66,519,500	6,769,400	5,544,200	FY15-FY36	
University of Arizona	<u>449,341,000</u>	<u>170,690,000</u>	<u>48,280,000</u>	<u>14,253,000</u>	FY14-FY31	
<i>Subtotal - ABOR</i>	\$ 863,349,000	\$ 410,144,500	\$ 86,095,400	\$ 34,226,200		
Phoenix Convention Center <sup>4/5/</sup>	<u>\$ 300,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 5,595,000</u>	<u>\$ 5,595,000</u>	FY44	
<i>TOTAL - Lease-Purchase</i>	<i>\$3,500,469,000</i>	<i>\$3,029,019,500</i>	<i>\$370,559,600</i>	<i>\$316,373,400</i>		
<b><u>Bonding Summary</u></b>						
<b><u>School Facilities Board</u></b>						
Deficiencies Correction:						
Proposition 301	\$ 383,382,300	\$ 0	\$ 65,739,400	\$ 0	FY21	
State Land Trust - FY 2004	<u>102,155,000</u>	<u>0</u>	<u>24,247,700</u>	<u>0</u>	FY18	
<i>Subtotal - SFB</i>	\$ 485,537,300	\$ 0	\$ 89,987,100	\$ 0		
Department of Transportation	\$1,862,695,000 <sup>6/</sup>	\$ 0	\$201,517,000 <sup>7/</sup>	\$ 0	FY17 – 34	

(Continued)

**Table 2 (Continued)**

<b>Lease-Purchase Summary</b>	<b>Overall Balance <sup>1/</sup></b>	<b>GF Balance <sup>1/</sup></b>	<b>Overall FY 13 Pymt. <sup>2/</sup></b>	<b>FY 13 GF Pymt. <sup>2/</sup></b>	<b>Retirement FY</b>
<b>ABOR Building System</b>					
Arizona State University	\$ 817,630,000	\$ 0	\$ 74,475,000	\$ 0	FY18-FY43
Northern Arizona University	334,545,000	0	17,638,600	0	FY16-FY40
University of Arizona	483,830,000	0	47,730,000	0	FY16-FY40
University Lottery Bond (SPEED)	<u>316,590,000 <sup>8/</sup></u>	<u>253,272,000 <sup>9/</sup></u>	<u>12,990,800</u>	<u>4,766,300 <sup>9/</sup></u>	FY32
<i>Subtotal - ABOR</i>	\$1,952,595,000	\$ 253,272,000	\$152,834,400	\$ 4,766,300	
Lottery Revenue Bond <sup>4/</sup>	\$ 408,630,000	\$ 408,630,000	\$ 37,499,600	\$ 37,499,600	FY30
<i>TOTAL – Bonding</i>	\$4,709,457,300	\$ 661,902,000	\$481,838,100	\$ 42,265,900	
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	<b>\$8,209,926,300</b>	<b>\$3,690,921,500</b>	<b>\$852,397,700</b>	<b>\$358,639,300</b>	

<sup>1/</sup> Represents principal balances as of June 30, 2013. The “GF Balance” column represents the portion of the overall balance paid from General Fund sources.

<sup>2/</sup> Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the “FY 13 GF Pymt.” column.

<sup>3/</sup> 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 2013, this subsidy is expected to be \$4,438,400 of the \$11,187,300 payment.

<sup>4/</sup> These obligations will be repaid with foregone General Fund revenues.

<sup>5/</sup> 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. The FY 2013 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

<sup>6/</sup> Includes \$1,559,425,000 for Highway User Revenue Fund bonds and \$303,270,000 for Grant Anticipation Notes.

<sup>7/</sup> Future debt service schedule going forward is as follows: FY 2014 - \$149,998,000; FY 2015 - \$149,997,000; FY 2016 - \$163,485,000; FY 2017 - \$163,485,000.

<sup>8/</sup> Includes \$194,345,000 for building renewal projects favorably reviewed by JCCR in November 2008, February 2009, and September 2011 and \$122,245,000 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.)

<sup>9/</sup> Outstanding General Fund balance of University SPEED bonding is assumed to be 80% of the total balance, as lottery proceeds which will service these outstanding balances would have otherwise gone to the State General Fund. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.) The FY 2013 General Fund payment amount is based on current lottery revenue projections. (Please see the State Lottery Commission budget narrative pages for more information.)