

Capital Outlay
Summary

	FY 2013 BASELINE
BUILDING RENEWAL	
ADOA Building System	15,914,100
ADOT Building System	1,050,000
ABOR Building System	0
SUBTOTAL	16,964,100
INDIVIDUAL PROJECTS	
ADOA Building System	1,030,000
ADOT Building System	292,118,900
ABOR Building System	0
SUBTOTAL	293,148,900
LEASE-PURCHASE PAYMENTS	
Leaseback and Phoenix Convention Center Obligations	89,714,800
TOTALS	
ADOA Building System	106,658,900
ADOT Building System	293,168,900
ABOR Building System	0
TOTAL - ALL PROJECTS	399,827,800
FUND SOURCES	
General Fund	89,714,800
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	10,675,100
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	271,194,000
State Lottery Fund	85,200
SUBTOTAL - Other Appropriated Funds	310,113,000
SUBTOTAL - Appropriated Funds Less Debt and Lease-Purchase Financing Projects	310,113,000
SUBTOTAL - Appropriated Funds	399,827,800
Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
TOTAL - ALL SOURCES	1,409,512,800

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:

Capital Outlay **FY 2013**
GF \$89,714,800
OF 310,113,000

The Baseline includes a total of \$399,827,800 from Appropriated Funds in FY 2013. Of the total, \$89,714,800 is from the General Fund and \$310,113,000 is from Other Appropriated Funds. The Baseline 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 \$16,964,100 in FY 2013 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$10,675,100
Capital Outlay Stabilization Fund	
@ 37% (when combined with	
ADC amount below)	
Department of Corrections Building	4,630,500
Renewal Fund @ 31% (when	
combined with ADOA amount above)	
Game and Fish Fund @ 100%	523,300
State Lottery Fund @ 100%	<u>85,200</u>
Subtotal - ADOA	\$15,914,100
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 Baseline includes a total of \$293,148,900 in FY 2013 for individual capital projects, which is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

Lease-Purchase Payments

The Baseline 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.)*

FOOTNOTES

Capital Standard Footnotes

Building Renewal

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.

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 2013
BASELINE

BUILDING RENEWAL

Arizona Department of Administration	10,675,100
Game and Fish Department	523,300
Arizona Lottery Commission	85,200
Department of Corrections	4,630,500
SUBTOTAL	15,914,100

INDIVIDUAL PROJECTS

Game and Fish Department

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

TOTAL - ALL PROJECTS

16,944,100

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	10,675,100
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	85,200
SUBTOTAL - Other Appropriated Funds	16,944,100
SUBTOTAL - Appropriated Funds	16,944,100

TOTAL - ALL SOURCES

16,944,100

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 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.

The following amounts are one-time appropriations:

Building Renewal

Building Renewal OF FY 2013 \$15,914,100

The Baseline includes \$15,914,100 from Other Appropriated Funds in FY 2013 for Building Renewal within the ADOA Building System. This amount consists of:

- \$10,675,100 from the Capital Outlay Stabilization Fund (COSF) to ADOA. In combination with the \$4,630,500 from the Department of Corrections (ADC) Building Renewal Fund (*see below*), the Baseline funds 37% of the building renewal formula. In FY 2012, the formula was funded at \$11,130,500, or 29%, of which \$6,500,000 was to ADOA from COSF and \$4,630,500 was for ADC from the ADC Building Renewal Fund. A portion of the \$4,175,100 COSF increase is in part due to funding decisions

made during this past legislative session. (*Please see the Other Issues for Legislative Consideration 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 ADOA for ADC building renewal and preventative maintenance projects.

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, 2014.

Individual Projects - Game and Fish Department

The Baseline 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

(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 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 OF 500,000

The Baseline 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.

Preventative Maintenance OF 30,000

The Baseline 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.

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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 shall allocate the amount appropriated to the State Department of Corrections for necessary building renewal and, as permitted by statute, on preventative maintenance 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, 2012.

STATUTORY CHANGES

The Baseline would, as session law, change the FY 2013 COSF rental rate from \$15.08/square foot to \$12.70/square foot for office space and from \$5.47/square foot to \$4.61/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 Adjustments

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. All other lease-purchase and Privatized Lease-to-Own payments will increase by \$2,062,400 in FY 2013, including \$1,856,000 from the General Fund. *(Please see the Capital Outlay Debt and Lease-Purchase Financing narrative for more information.)*

In FY 2012, state agencies paid a total of \$23,789,000 to ADOA for COSF rent. The FY 2012 rental rate for state-owned space was \$15.08/square foot for office space and \$5.47/square foot for storage space.

In FY 2012, ADOA was appropriated \$6,500,000 from COSF for Building Renewal. The Baseline assumes that Building Renewal will be funded at \$10,675,100 from

COSF in FY 2013, which is an increase of \$4,175,100. Of this increase, \$1,586,400 is due to the decision made during the past legislative session to fund the Secretary of State's Polly Rosenbaum and Records Management buildings beginning in FY 2013. Rent for Polly Rosenbaum is \$1,836,500, and rent for the Records Management building is \$349,900, which is based on the current FY 2012 rental rates. The combined rent for both buildings is \$2,186,400. Of this amount, \$600,000 is included in ADOA's operating budget for operating and utility costs associated with the Polly Rosenbaum building, which leaves an increase of \$1,586,400. *(Please see the ADOA narrative pages for more information.)*

In order to fund the \$4,175,100 COSF increase for Building Renewal in FY 2013 and \$600,000 for Polly Rosenbaum operating and utility costs, COSF collections would have to be increased by \$4,775,100 above the FY 2012 \$23,789,000 amount.

However, converting the FY 1991 and FY 1992 lease-purchase agreement payments into COSF payments will begin to bring in additional rental income of \$8,303,600 in FY 2013, including \$4,399,000 from the General Fund. Since only \$4,775,100 more is needed in COSF monies to fund FY 2013 Building Renewal at \$10,675,100 and \$600,000 for Polly Rosenbaum operating and utility costs, the rental rate can be reduced.

In order for all these adjustments to have a net General Fund impact of \$0, the office space rental rate would be reduced from \$15.08/square foot to \$12.70/square foot and the storage space rental rate from \$5.47/square foot to \$4.61/square foot. This would result in FY 2013 COSF rental collections of \$28,564,100, which is an increase of \$4,775,100 over the FY 2012 amount. The rate reduction will save \$(5,365,000), including \$(3,233,500) from the General Fund.

The total from all these adjustments is \$1,003,500, of which \$0 is from the General Fund. *(Please see page 374.)* The General Fund adjustments are as follows:

• Retired Lease-Purchase	\$(3,021,500)
• Convert Space to Rent	4,399,000
• Secretary of State & Other Adjustments	1,856,000
• Rent Rate Reduction	<u>(3,233,500)</u>
	\$ 0

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									0	2,600	0	2,600					0	2,600	0	2,600
Acupuncture Board of Examiners													0	(600)	0	(600)	0	(600)	0	(600)
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	(20,700)	(194,800)	(11,300)	(226,800)	(2,032,200)	(108,800)	(6,000)	(2,147,000)
Administrative Hearings, Office of													(10,100)	(2,300)	(18,800)	(31,200)	(10,100)	(2,300)	(18,800)	(31,200)
Agriculture, AZ Dept. of													(57,300)	(15,300)	(23,100)	(95,700)	(57,300)	(15,300)	(23,100)	(95,700)
Appraisal, State Board of													0	(4,100)	0	(4,100)	0	(4,100)	0	(4,100)
AZ Health Care Cost Containment System													(1,200)	0	(1,300)	(2,500)	(1,200)	0	(1,300)	(2,500)
Arts, AZ Commission on the													0	0	(10,000)	(10,000)	0	0	(10,000)	(10,000)
Attorney General - Dept. of Law	(225,000)	(79,000)	0	(304,000)	1,115,700	392,000	0	1,507,700					(292,200)	(133,600)	(67,700)	(493,500)	598,500	179,400	(67,700)	710,200
Auditor General													(50,800)	0	0	(50,800)	(50,800)	0	0	(50,800)
Automobile Theft Authority													0	(4,700)	0	(4,700)	0	(4,700)	0	(4,700)
Barbers, Board of													0	(1,700)	0	(1,700)	0	(1,700)	0	(1,700)
Charter Schools, State Board for													(8,200)	0	0	(8,200)	(8,200)	0	0	(8,200)
Citizens Clean Election Commission	0	0	(300)	(300)	0	0	61,000	61,000					0	0	(9,600)	(9,600)	0	0	51,100	51,100
Contractors, Registrar of													0	(7,200)	0	(7,200)	0	(7,200)	0	(7,200)
Corporation Commission													(1,100)	(173,100)	(600)	(174,800)	(1,100)	(173,100)	(600)	(174,800)
Corrections, State Dept. of									(3,100)	0	0	(3,100)	(245,700)	0	0	(245,700)	(248,800)	0	0	(248,800)
Criminal Justice Commission, AZ									0	300	4,200	4,500					0	300	4,200	4,500
Deaf & the Blind, AZ State Schools for the					452,600	468,200	640,000	1,560,800					(91,700)	(94,800)	(129,600)	(316,100)	360,900	373,400	510,400	1,244,700
Deaf & Hard of Hearing, Commission for the									0	5,100	0	5,100	0	(11,400)	0	(11,400)	0	(6,300)	0	(6,300)
Economic Security, Dept. of	(80,800)	(56,100)	(29,800)	(166,700)	398,400	311,100	129,500	839,000					(386,400)	(173,100)	(143,600)	(703,100)	(68,800)	81,900	(43,900)	(30,800)
Education, Dept. of													(49,600)	(19,200)	(102,800)	(171,600)	(49,600)	(19,200)	(102,800)	(171,600)
Environmental Quality, Dept. of									0	94,600	0	94,600	0	(18,500)	0	(18,500)	0	76,100	0	76,100
Environmental Quality, Dept. of - WIFA									0	0	2,700	2,700					0	0	2,700	2,700
Equal Opportunity, Governor's Office of													(2,400)	0	0	(2,400)	(2,400)	0	0	(2,400)
Equalization, State Board of									2,100	0	0	2,100	(200)	0	0	(200)	1,900	0	0	1,900
Executive Clemency, Board of													(12,600)	0	0	(12,600)	(12,600)	0	0	(12,600)
Financial Institutions, Dept. of													(25,900)	(5,100)	0	(31,000)	(25,900)	(5,100)	0	(31,000)
Fire, Building, & Life Safety, Dept. of									3,400	0	1,300	4,700	(3,900)	0	(2,400)	(6,300)	(500)	0	(1,100)	(1,600)
Forester, State									2,600	0	0	2,600					2,600	0	0	2,600
Funeral Directors & Embalmers, State Board of													0	(2,100)	0	(2,100)	0	(2,100)	0	(2,100)
Gaming, Dept. of									0	14,600	0	14,600	0	(2,700)	0	(2,700)	0	11,900	0	11,900
Geological Survey, AZ													(24,900)	0	0	(24,900)	(24,900)	0	0	(24,900)
Governor, Office of the													(85,700)	0	(18,800)	(104,500)	(85,700)	0	(18,800)	(104,500)
Gov's Ofc of Strategic Planning & Budgeting													(15,000)	0	0	(15,000)	(15,000)	0	0	(15,000)
Health Services, Dept. of	0	(8,600)	0	(8,600)	0	37,700	0	37,700	(9,700)	500	0	(9,200)	(47,800)	(187,400)	0	(235,200)	(57,500)	(157,800)	0	(215,300)
Historical Society, AZ													(237,500)	0	0	(237,500)	(237,500)	0	0	(237,500)
Homeland Security, AZ Dept. of													0	0	(17,000)	(17,000)	0	0	(17,000)	(17,000)
Homeopathic & Integ. Med. Exam., St. Bd. of													0	(700)	0	(700)	0	(700)	0	(700)
Housing, Dept. of									0	700	11,100	11,800					0	700	11,100	11,800
Independent Redistricting Commission													(4,300)	0	0	(4,300)	(4,300)	0	0	(4,300)
Indian Affairs, AZ Commission of													(1,400)	0	0	(1,400)	(1,400)	0	0	(1,400)
Insurance, Dept. of									0	0	1,300	1,300	(50,600)	0	(17,600)	(68,200)	(50,600)	0	(16,300)	(66,900)
Judiciary - Court of Appeals													(72,600)	0	0	(72,600)	(72,600)	0	0	(72,600)
Judiciary - Supreme Court													(536,300)	0	0	(536,300)	(536,300)	0	0	(536,300)
Juvenile Corrections, Dept. of	(800)	0	0	(800)	216,600	0	0	216,600					(113,200)	0	0	(113,200)	102,600	0	0	102,600
Land Dept., State	0	(3,800)	0	(3,800)	0	941,400	0	941,400					0	(148,600)	0	(148,600)	0	789,000	0	789,000
Liquor License & Control, Dept. of													0	(4,100)	0	(4,100)	0	(4,100)	0	(4,100)
Medical Board, AZ													0	(38,200)	0	(38,200)	0	(38,200)	0	(38,200)
Mine Inspector, State					3,200	0	0	3,200					(10,900)	0	0	(10,900)	(7,700)	0	0	(7,700)
Naturopathic Physicians Medical Board													0	(3,900)	0	(3,900)	0	(3,900)	0	(3,900)
Navigable Streams Adjudication Comm., AZ													(1,800)	0	0	(1,800)	(1,800)	0	0	(1,800)
Nursing Care Inst. Adm. & Astd. Liv. Fac. Mgr.													0	(2,800)	0	(2,800)	0	(2,800)	0	(2,800)
Opticians, State Board of Dispensing													0	(700)	0	(700)	0	(700)	0	(700)
Optometry, State Board of													0	(1,200)	0	(1,200)	0	(1,200)	0	(1,200)
Osteopathic Examiners, AZ Board of													0	(5,600)	0	(5,600)	0	(5,600)	0	(5,600)
Parks Board, AZ State	0	0	(607,000)	(607,000)	0	0	66,900	66,900					0	0	(57,000)	(57,000)	0	0	(57,000)	(57,100)
Personnel Board													0	(3,500)	0	(3,500)	0	(3,500)	0	(3,500)
Pest Management, Office of													0	(17,700)	0	(17,700)	0	(17,700)	0	(17,700)
Pharmacy, AZ State Board of													0	(14,800)	0	(14,800)	0	(14,800)	0	(14,800)
Podiatry Examiners, State Board of													0	(600)	0	(600)	0	(600)	0	(600)
Private Postsecondary Ed., State Board for													0	(2,000)	(500)	(2,500)	0	(2,000)	(500)	(2,500)
Psychologist Examiners, State Board of													0	(2,300)	0	(2,300)	0	(2,300)	0	(2,300)
Public Safety, Dept. of													(13,100)	(3,300)	(3,700)	(20,100)	(13,100)	(3,300)	(3,700)	(20,100)
Racing, AZ Dept. of									3,700	0	0	3,700					3,700	0	0	3,700
Real Estate Dept., State													(41,100)	0	0	(41,100)	(41,100)	0	0	(41,100)
Residential Utility Consumer Office									0	2,800	0	2,800	0	(2,700)	0	(2,700)	0	(2,700)	0	(2,700)
Respiratory Care Examiners, Board of													0	(2,700)	0	(2,700)	0	(2,700)	0	(2,700)
Revenue, Dept. of	(364,900)	(188,000)	0	(552,900)	1,587,700	817,900	0	2,405,600					(278,000)	(143,000)	0	(421,000)	944,800	486,900	0	1,431,700
Rio Nuevo													0	0	200	200	0	0	200	200
School Facilities Board													(11,700)	0	(4,800)	(16,500)	(11,700)	0	(4,800)	(16,500)
Secretary of State - Dept. of State	(318,800)	0	0	(318,800)	624,800	0	0	624,800	1,836,500	0	0	1,836,500	(420,900)	0	0	(420,900)	1,721,600	0	0	1,721,600

SUMMARY OF RENT CHARGES 1/2/

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<u>BUDGET UNITS</u>								
Acupuncture Board of Examiners								
1400 W Washington	0	3,900	0	3,900	0	3,300	0	3,300
Administration, AZ Department of								
1300 W Washington	0	6,700	0	6,700	0	5,600	0	5,600
1400 W Washington	49,800	46,400	0	96,200	45,000	41,800	0	86,800
1510 W Adams	0	330,500	0	330,500	0	278,300	0	278,300
1520 W Adams	0	127,100	0	127,100	0	107,000	0	107,000
1522 W Jackson	0	48,400	0	48,400	0	40,800	0	40,800
1537 W Jackson	0	63,800	0	63,800	0	53,700	0	53,700
1616 W Adams	0	0	0	0	0	32,800	0	32,800
1802 W Jackson	0	28,700	71,500	100,200	0	24,200	60,200	84,400
1840 W Jackson	0	55,800	0	55,800	0	47,000	0	47,000
1850 W Jackson	0	16,000	0	16,000	0	13,500	0	13,500
1700 W Washington	64,600	156,500	0	221,100	54,400	131,800	0	186,200
1789 W Jefferson (DES West)	0	19,700	0	19,700	0	16,600	0	16,600
1937 W Jefferson/CDC	0	132,100	0	132,100	0	111,200	0	111,200
1801 W Madison	0	21,000	0	21,000	0	17,700	0	17,700
1805 W Madison	0	28,500	0	28,500	0	24,000	0	24,000
2910 N 44th Street	0	2,300	0	2,300	0	1,900	0	1,900
14 N 18th Avenue	35,800	0	0	35,800	30,100	0	0	30,100
400 W Congress, Tucson	0	76,000	0	76,000	0	64,000	0	64,000
402 W Congress, Tucson	0	50,300	0	50,300	0	42,400	0	42,400
416 W Congress, Tucson	0	2,500	0	2,500	0	2,100	0	2,100
Subtotal - AZ Dept of Administration	\$150,200	\$1,212,300	\$71,500	\$1,434,000	\$129,500	\$1,056,400	\$60,200	\$1,246,100
Administrative Hearings, Office of								
1400 W Washington	64,200	800	119,000	184,000	54,100	700	100,200	155,000
400 W Congress, Tucson	0	13,700	0	13,700	0	11,500	0	11,500
Subtotal - Office of Administrative Hearings	\$64,200	\$14,500	\$119,000	\$197,700	\$54,100	\$12,200	\$100,200	\$166,500
Agriculture, AZ Department of								
1520 W Adams	122,700	0	0	122,700	103,300	0	0	103,300
1624 W Adams	2,900	1,500	4,400	8,800	2,400	1,300	3,700	7,400
1688 W Adams	203,200	78,300	148,600	430,100	169,400	64,900	126,200	360,400
400 W Congress, Tucson	22,600	10,800	0	33,400	19,000	9,100	0	28,100
Subtotal - AZ Dept of Agriculture	\$351,400	\$90,600	\$153,000	\$595,000	\$294,100	\$75,300	\$129,900	\$499,200
Appraisal, State Board of								
1400 W Washington	0	26,100	0	26,100	0	22,000	0	22,000
AZ Health Care Cost Containment System								
Kingman Building	7,700	0	7,700	15,400	6,500	0	6,400	13,000

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Arts, AZ Commission on the 417 W Roosevelt	0	0	63,300	63,300	0	0	53,300	53,300
Attorney General - Department of Law								
1275 W Washington	586,400	336,200	341,300	1,263,900	493,900	283,100	287,400	1,064,400
400 W Congress, Tucson	48,700	38,300	28,500	115,500	43,500	34,100	25,400	103,000
402 W Congress, Tucson	116,400	91,400	67,700	275,500	98,000	77,000	57,000	232,000
Capital Center	0	0	0	0	939,600	330,100	0	1,269,700
Subtotal - Attorney General - Dept of Law	\$751,500	\$465,900	\$437,500	\$1,654,900	\$1,575,000	\$724,300	\$369,800	\$2,669,100
Auditor General								
2910 N 44th Street	321,600	0	0	321,600	270,800	0	0	270,800
Automobile Theft Authority								
1400 W Washington	0	30,000	0	30,000	0	25,300	0	25,300
Barbers, Board of								
1400 W Washington	0	10,900	0	10,900	0	9,200	0	9,200
Charter Schools, State Board for								
1700 W Washington	52,200	0	0	52,200	44,000	0	0	44,000
Citizens Clean Election Commission								
1616 W Adams	0	0	0	0	0	0	51,400	51,400
Contractors, Registrar of								
400 W Congress, Tucson	0	45,800	0	45,800	0	38,600	0	38,600
Corporation Commission								
1200 W Washington	0	583,500	0	583,500	0	491,400	0	491,400
1300 W Washington	0	346,000	0	346,000	0	291,400	0	291,400
1400 W Washington	0	109,700	0	109,700	0	92,400	0	92,400
400 W Congress, Tucson	6,800	57,500	3,800	68,100	5,700	48,400	3,200	57,300
Subtotal - Corporation Commission	\$6,800	\$1,096,700	\$3,800	\$1,107,300	\$5,700	\$923,600	\$3,200	\$932,500
Corrections, State Department of								
1601 W Jefferson	709,200	0	0	709,200	597,200	0	0	597,200
1645 W Jefferson	576,900	0	0	576,900	485,800	0	0	485,800
1831 W Jefferson	269,700	0	0	269,700	227,100	0	0	227,100
Subtotal - State Dept of Corrections	\$1,555,800	\$0	\$0	\$1,555,800	\$1,310,100	\$0	\$0	\$1,310,100
Deaf and the Blind, Arizona State Schools for the								
Food Service Building	128,200	132,600	181,300	442,100	108,000	111,700	152,700	372,300
High School and Auditorium	0	0	0	0	381,100	394,300	539,000	1,314,400
Subtotal - AZ State Schools for Deaf and Blind	\$128,200	\$132,600	\$181,300	\$442,100	\$489,100	\$506,000	\$691,700	\$1,686,700
Deaf and the Hard of Hearing, Commission for the								
1400 W Washington	0	37,000	0	37,000	0	25,600	0	25,600
Economic Security, Department of								
1400 W Washington	0	0	11,000	11,000	0	0	9,300	9,300
1789 W Jefferson (DES West)	1,746,100	435,000	577,300	2,758,400	1,470,500	366,400	486,200	2,323,000
Kingman Building	58,900	120,800	81,300	261,000	49,600	101,700	68,500	219,800

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
400 W Congress, Tucson	244,300	230,000	110,600	584,900	205,700	193,700	93,100	492,600
DES Group Homes	0	0	0	0	145,400	209,200	0	354,600
Capital Center	0	0	0	0	190,100	52,800	109,000	351,900
Subtotal - Department of Economic Security	\$2,049,300	\$785,800	\$780,200	\$3,615,300	\$2,061,300	\$923,800	\$766,100	\$3,751,200
Education, Department of								
1535 W Jefferson	314,300	107,600	585,400	1,007,300	264,700	90,600	493,000	848,300
400 W Congress, Tucson	0	13,200	46,900	60,100	0	11,100	39,500	50,600
416 W Congress, Tucson	0	800	19,100	19,900	0	700	16,100	16,800
Subtotal - Department of Education	\$314,300	\$121,600	\$651,400	\$1,087,300	\$264,700	\$102,400	\$548,600	\$915,700
Environmental Quality, Department of								
400 W Congress, Tucson	0	117,000	0	117,000	0	98,500	0	98,500
Equal Opportunity, Governor's Office of								
1700 W Washington	15,400	0	0	15,400	13,000	0	0	13,000
Equalization, State Board of								
416 W Congress, Tucson	1,300	0	0	1,300	1,100	0	0	1,100
Executive Clemency, Board of								
1645 W Jefferson	80,100	0	0	80,100	67,500	0	0	67,500
Financial Institutions, Department of								
2910 N 44th Street	164,200	32,000	0	196,200	138,300	26,900	0	165,200
Fire, Building, and Life Safety, Department of								
400 W Congress, Tucson	24,800	0	15,000	39,800	20,900	0	12,600	33,500
Funeral Directors & Embalmers, State Board of								
1400 W Washington	0	13,000	0	13,000	0	10,900	0	10,900
Gaming, Department of								
400 W Congress, Tucson	0	17,000	0	17,000	0	14,300	0	14,300
Geological Survey, AZ								
402 W Congress, Tucson	5,500	0	0	5,500	4,600	0	0	4,600
416 W Congress, Tucson	138,700	0	0	138,700	116,800	0	0	116,800
1400 W Washington	13,300	0	0	13,300	11,200	0	0	11,200
Subtotal - AZ Geological Survey	\$157,500	\$0	\$0	\$157,500	\$132,600	\$0	\$0	\$132,600
Governor, Office of the								
1645 W Jefferson	600	0	0	600	500	0	0	500
1700 W Washington	506,100	0	119,000	625,100	426,200	0	100,200	526,400
400 W Congress, Tucson	36,300	0	0	36,300	30,600	0	0	30,600
Subtotal - Office of the Governor	\$543,000	\$0	\$119,000	\$662,000	\$457,300	\$0	\$100,200	\$557,500
Gov's Ofc of Strategic Planning & Budgeting								
1700 W Washington	95,100	0	0	95,100	80,100	0	0	80,100
Health Services, Department of								
1740 W Adams	0	1,047,400	0	1,047,400	0	882,100	0	882,100
1818 W Adams	215,500	0	0	215,500	181,500	0	0	181,500
400 W Congress, Tucson	87,200	52,000	0	139,200	73,400	43,800	0	117,200

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
402 W Congress, Tucson	0	600	0	600	0	500	0	500
416 W Congress, Tucson	0	49,100	0	49,100	0	41,300	0	41,300
Capital Center (Disease Control)	0	0	0	0	0	31,700	0	31,700
Subtotal - Department of Health Services	\$302,700	\$1,149,100	\$0	\$1,451,800	\$254,900	\$999,400	\$0	\$1,254,300
Historical Society, Arizona								
1502 W Washington	376,400	0	0	376,400	317,000	0	0	317,000
Papago Museum	1,128,300	0	0	1,128,300	950,200	0	0	950,200
Subtotal - Arizona Historical Society	\$1,504,700	\$0	\$0	\$1,504,700	\$1,267,200	\$0	\$0	\$1,267,200
Homeland Security, AZ Dept of								
1700 W Washington	0	0	107,600	107,600	0	0	90,600	90,600
Homeopathic & Integrated Medicine Examiners, State Board of								
1400 W Washington	0	4,300	0	4,300	0	3,600	0	3,600
Independent Redistricting Commission								
1100 W Washington	27,000	0	0	27,000	22,700	0	0	22,700
Indian Affairs, AZ Commission of								
1700 W Washington	8,700	0	0	8,700	7,300	0	0	7,300
Insurance, Department of								
2910 N 44th Street	313,700	0	104,600	418,300	264,200	0	88,100	352,300
400 W Congress, Tucson	1,100	0	1,100	2,200	0	0	0	0
Subtotal - Department of Insurance	\$314,800	\$0	\$105,700	\$420,500	\$264,200	\$0	\$88,100	\$352,300
Judiciary - Court of Appeals								
400 W Congress, Tucson	460,000	0	0	460,000	387,400	0	0	387,400
Judiciary - Supreme Court								
1501 W Washington	3,297,100	0	0	3,297,100	2,776,800	0	0	2,776,800
400 W Congress, Tucson	101,400	0	0	101,400	85,400	0	0	85,400
Subtotal - Supreme Court	\$3,398,500	\$0	\$0	\$3,398,500	\$2,862,200	\$0	\$0	\$2,862,200
Subtotal - Judiciary	\$3,858,500	\$0	\$0	\$3,858,500	\$3,249,600	\$0	\$0	\$3,249,600
Juvenile Corrections, Department of								
1616 W Adams	0	0	0	0	182,400	0	0	182,400
1624 W Adams	500,700	0	0	500,700	421,700	0	0	421,700
Subtotal - Dept. of Juvenile Corrections	\$500,700	\$0	\$0	\$500,700	\$604,100	\$0	\$0	\$604,100
Land Department, State								
1616 W Adams	0	0	0	0	0	792,800	0	792,800
Liquor Licenses and Control, Department of								
400 W Congress, Tucson	0	26,200	0	26,200	0	22,100	0	22,100
Medical Board, AZ								
9500 Doubletree Rd.	0	242,100	0	242,100	0	203,900	0	203,900
Mine Inspector, State								
1616 W Adams	0	0	0	0	2,700	0	0	2,700
1700 W Washington	66,100	0	0	66,100	55,700	0	0	55,700

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Subtotal - State Mine Inspector	\$66,100	\$0	\$0	\$66,100	\$58,400	\$0	\$0	\$58,400
Naturopathic Physicians Medical Board								
1400 W Washington	0	25,000	0	25,000	0	21,100	0	21,100
Navigable Stream Adjudication Commission, AZ								
1700 W Washington	11,700	0	0	11,700	9,900	0	0	9,900
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.								
1400 W Washington	0	17,900	0	17,900	0	15,100	0	15,100
Opticians, State Board of Dispensing								
1400 W Washington	0	4,400	0	4,400	0	3,700	0	3,700
Optometry, State Board of								
1400 W Washington	0	7,900	0	7,900	0	6,700	0	6,700
Osteopathic Examiners, AZ Board of								
9500 Doubletree Rd.	0	35,300	0	35,300	0	29,700	0	29,700
Parks Board, AZ State								
1300 W Washington	0	0	294,100	294,100	0	0	247,700	247,700
1616 W Adams	0	0	0	0	0	0	56,300	56,300
Subtotal - AZ State Parks Board	\$0	\$0	\$294,100	\$294,100	\$0	\$0	\$304,000	\$304,000
Personnel Board								
1400 W Washington	0	22,100	0	22,100	0	18,600	0	18,600
Pest Management, Office of								
9500 Doubletree Rd.	0	11,100	0	11,100	0	0	0	0
400 W Congress, Tucson	0	400	0	400	0	0	0	0
1688 W Adams	0	51,100	0	51,100	0	44,900	0	44,900
Subtotal - Office of Pest Management	\$0	\$62,600	\$0	\$62,600	\$0	\$44,900	\$0	\$44,900
Pharmacy, AZ State Board of								
1700 W Washington	0	93,500	0	93,500	0	78,700	0	78,700
Podiatry Examiners, State Board of								
1400 W Washington	0	3,800	0	3,800	0	3,200	0	3,200
Private Postsecondary Education, State Board for								
1400 W Washington	0	12,200	3,000	15,200	0	10,200	2,500	12,800
Psychologist Examiners, State Board of								
1400 W Washington	0	14,700	0	14,700	0	12,400	0	12,400
Public Safety, Department of								
1700 W Washington	51,900	13,500	14,300	79,700	43,700	11,400	12,000	67,100
1937 W Jefferson/Wayland	17,600	4,600	4,900	27,100	14,800	3,900	4,100	22,800
400 W Congress, Tucson	13,100	3,400	3,600	20,100	11,000	2,900	3,000	16,900
Subtotal - Department of Public Safety	\$82,600	\$21,500	\$22,800	\$126,900	\$69,500	\$18,200	\$19,100	\$106,800
Real Estate Department, State								
2910 N 44th Street	231,700	0	0	231,700	195,100	0	0	195,100
400 W Congress, Tucson	28,800	0	0	28,800	24,300	0	0	24,300
Subtotal - State Department of Real Estate	\$260,500	\$0	\$0	\$260,500	\$219,400	\$0	\$0	\$219,400

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Respiratory Care Examiners, Board of 1400 W Washington	0	16,900	0	16,900	0	14,200	0	14,200
Revenue, Department of 402 W Congress, Tucson	101,700	51,700	0	153,400	85,700	43,500	0	129,200
416 W Congress, Tucson	71,300	36,300	0	107,600	60,000	30,600	0	90,600
1600 W Monroe	0	0	0	0	1,337,000	688,800	0	2,025,800
Subtotal - Department of Revenue	\$173,000	\$88,000	\$0	\$261,000	\$1,482,700	\$762,900	\$0	\$2,245,600
Rio Nuevo 400 W Congress, Tucson	0	0	11,300	11,300	0	0	11,500	11,500
School Facilities Board 1700 W Washington	74,300	0	30,400	104,700	62,600	0	25,600	88,200
Secretary of State - Dept of State 1030 N 32nd St (Library for the Blind)	0	0	0	0	231,500	0	0	231,500
1100 W Washington	27,100	0	0	27,100	22,800	0	0	22,800
1700 W Washington	175,600	0	0	175,600	147,900	0	0	147,900
400 W Congress, Tucson	2,600	0	0	2,600	2,200	0	0	2,200
Records Management Addition	0	0	0	0	294,700	0	0	294,700
Polly Rosenbaum Building	0	0	0	0	1,546,600	0	0	1,546,600
Subtotal - Secretary of State - Dept of State	\$205,300	\$0	\$0	\$205,300	\$2,245,700	\$0	\$0	\$2,245,700
State Boards' Office 1400 W Washington	0	7,100	0	7,100	0	6,000	0	6,000
Transportation, Department of 1275 W Washington <u>3/</u>	0	124,000	0	124,000	0	104,400	0	104,400
Treasurer, State 1700 W Washington	0	130,100	0	130,100	0	109,600	0	109,600
Veterinary Medical Examining Board, AZ State 1400 W Washington	0	18,100	0	18,100	0	15,200	0	15,200
Water Resources, Department of 400 W Congress, Tucson	6,700	0	0	6,700	0	0	0	0
GRAND TOTAL	\$14,231,900	\$6,379,500	\$3,177,600	\$23,789,000	\$17,233,900	\$7,895,200	\$3,435,000	\$28,564,100

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 2013 office square footage rental rate is \$12.70 and the storage square footage rental rate is \$4.61.

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 2013
BASELINE

BUILDING RENEWAL

ADOT Building Renewal	1,050,000
SUBTOTAL	1,050,000

INDIVIDUAL PROJECTS

Airport Planning and Development	21,924,900
Controlled Access Highways	77,311,000
Debt Service	121,803,000
Statewide Highway Construction	71,080,000
SUBTOTAL	292,118,900

TOTAL - ALL PROJECTS

293,168,900

FUND SOURCES

Other Appropriated Funds

State Aviation Fund	21,974,900
State Highway Fund	271,194,000
SUBTOTAL - Other Appropriated Funds	293,168,900
SUBTOTAL - Appropriated Funds	293,168,900

Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
TOTAL - ALL SOURCES	1,302,853,900

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 reflects one-time appropriations:

FY 2013

Building Renewal OF \$1,050,000

The Baseline 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 OF 21,924,900

The Baseline 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.

Controlled Access Highways OF 77,311,000

The Baseline includes \$77,311,000 from SHF in FY 2013 for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service OF 121,803,000

The Baseline 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 2 for more information on debt service.)

Statewide Highway Construction OF 71,080,000

The Baseline includes \$71,080,000 from SHF in FY 2013 for highway construction. Please see Table 5 for the HURF Distribution analysis, which shows that \$71,080,000 of net SHF monies will be available for statewide highway construction in FY 2013 from the FY 2013 HURF revenue cash flow. Only a small portion of the state's total \$1,743,826,000 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 fund expenditures. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget section. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 1.

Non-Appropriated Capital Funds			
(\$ in Thousands)			
	FY 2011	FY 2012	FY 2013
	Actual	Estimate	Baseline
Aviation Federal Funds	\$ 5,695	\$ 4,680	\$ 4,680
Federal Grants	<u>624,000</u>	<u>624,000</u>	<u>624,000</u>
Subtotal – Federal Funds	\$629,695	\$628,680	\$628,680
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
Subtotal – Other Non-Appropriated Funds	\$368,905	\$ 376,005	\$ 381,005
Total	\$998,600	\$1,004,685	\$1,009,685

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. (Please 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 2013, 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 2013.

Of the revenue amounts in Table 3, only the Statewide Highway Construction, Controlled Access Highways, and Debt Service amounts are appropriated. Of the expenditure amounts, only a portion of the Debt Service is appropriated.

Table 2

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

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

^{1/} Data from ADOT's 2012-2016 5-Year Transportation Facilities Construction Program.
^{2/} Includes expenditures from HURF for controlled access and from the Maricopa Regional Area Road Fund.
^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.
^{4/} 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 3

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

	<u>FY 2013</u>
Balance Forward ^{1/}	\$ 469,127
Revenues	
Appropriated Statewide Highway Construction	\$ 71,080
Appropriated Controlled Access Highways (MAG & PAG)	77,311
Appropriated Debt Service	121,803
½ Cent Sales Tax	183,900
Federal Aid	828,665
Maricopa Regional Area Road Fund Bond Proceeds ^{2/}	90,000
Miscellaneous Income/Expenses ^{3/}	<u>8,673</u>
Subtotal - Revenues	\$1,381,432
Total Funds Available for Construction	\$1,850,559
Debt Service Expenditures	
Appropriated Debt Service	\$ 121,803
Other Debt Service (All Other) ^{4/}	<u>232,416</u>
Subtotal - Debt Service	\$ 354,219
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$ 634,798
Controlled Access Highways (MAG)	<u>754,809</u>
Subtotal - Construction Expenditures	\$1,389,607
Total Planned Expenditures	\$1,743,826
Balance Forward	\$ 106,733

^{1/} Includes unexpended bond proceeds for bonds issued in prior years.
^{2/} Proceeds reflect a cash expenditure basis.
^{3/} 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.
^{4/} See footnote 4 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 (VLT), 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 2011 through FY 2013. 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 2011 HURF collections of \$1,205,073,100 were 0.9% above FY 2010. As of October 2011, HURF year-to-date collections are up 0.3% as compared to the prior year. As a result, the JLBC Staff forecasts a 0.9% increase in total HURF revenue collections in FY 2012 followed by a 1.2% increase in FY 2013.

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.

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 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Total HURF Collections	\$1,205,073	\$1,216,300	\$1,230,900
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program ^{2/}	620	670	625
MVD Operating Budget ^{3/}	-	88,684	86,256
Dept. of Public Safety Transfer from HURF ^{4/}	<u>79,216</u>	<u>123,211</u>	<u>119,961</u>
Net HURF Collections	1,124,237	1,002,735	1,023,058
Less: Cities ^{5/}	342,892	305,834	312,033
Counties ^{5/}	213,605	190,520	194,381
VLT Transfer to General Fund ^{6/}	43,619	105,822	0
VLT Transfer to Parity Compensation Fund ^{7/}	2,399	2,399	2,481
VLT Transfer to General Fund (5-Year VLT) ^{8/}	944	500	500
VLT Transfer to General Fund (Abandoned Vehicle) ^{9/}	77	946	946
Distribution to 10 Least Populated Counties ^{10/}	-	4,090	4,090
Controlled Access ^{11/}	<u>79,147</u>	<u>59,679</u>	<u>77,311</u>
Net SHF (Discretionary)	441,554	332,945	431,316
Plus: Other Income ^{12/}	19,246	19,618	19,425
Less: Non-MVD Operating Budget ^{13/}	325,795	243,855	239,494
Dept of Public Safety Transfer from Highway Fund	41,256	0	0
Operating Carryovers, Adjustments and Transfers ^{14/}	5	5	5
Capital Outlay and Building Renewal	1,000	1,000	1,000
Motor Vehicle Third Party Payments ^{15/}	17,436	17,150	17,359
Debt Service ^{16/}	<u>94,763</u>	<u>122,119</u>	<u>121,803</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{17/}	(19,455)	(31,566)	71,080
SHF Adjustments			
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>
Total SHF Available for Statewide Highway Construction	<u>\$ 216,015</u>	<u>\$ 192,175</u>	<u>\$ 299,080</u>

- ^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.
- ^{2/} 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 Baseline continues the FY 2012 statewide adjustments in FY 2013.
- ^{3/} 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 Baseline continues the FY 2012 statewide adjustments in FY 2013.
- ^{4/} 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 Baseline continues the FY 2012 statewide adjustments in FY 2013.
- ^{5/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- ^{6/} 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 Baseline estimate for FY 2013 discontinues these VLT transfers to the General Fund.
- ^{7/} Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.
- ^{8/} 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.
- ^{9/} 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.
- ^{10/} 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 Baseline continues this transfer in FY 2013.
- ^{11/} 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.
- ^{12/} 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 Baseline estimate in FY 2013 discontinues the \$448,000 transfer from SETIF to SHF, but the Baseline estimate includes \$18,800,000 in miscellaneous revenue and \$624,500 for the Registration Compliance program. The \$624,500 figure reflects continued statewide adjustments of \$(300) and no additional pay period. (Please see footnote 2 for additional details.)
- ^{13/} In FY 2012, the non-MVD 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 \$88,684,100 of HURF. The Baseline continues the FY 2012 statewide adjustments in FY 2013. (Please see footnote 3 for additional details.)
- ^{14/} Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.
- ^{15/} Statutory payments to third parties from VLT collected by third parties.
- ^{16/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
- ^{17/} 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 Systems

FY 2013
 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 were issued in April, June, and August 2010 and May 2011. At this point, \$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 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. The University of Arizona (UA) issued \$122,245,000 in June 2010. Northern Arizona University (NAU) had planned on issuing \$7,685,000 in late spring

2011 but decided in March 2011 to instead 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, along 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 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 \$8,267,300 in FY 2013, which would not cover the \$10,392,700 maximum 80% Lottery portion of the debt service. This means the universities would backfill the Lottery shortfall of \$(2,125,400) and would also cover their minimum 20% share of the payment,

which is \$2,598,100, for a total university payment of \$4,723,500 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.

* * *

FORMAT — Lump Sum by Project by Fund

Table 1

University Issuances				
<u>Purpose</u>	<u>Statutory Distribution</u>	<u>Actual Issuance</u>	<u>Remaining Authority</u>	<u>University</u>
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
TOTAL	\$800,000,000	\$316,590,000	\$483,410,000	

Table 2

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/}		\$ 2,864,200	\$ 8,267,300	\$13,308,300	\$20,894,200	\$28,880,000	\$37,285,700
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>
Total Debt Service for \$194.3 M ^{3/}		\$ 7,756,900	\$ 7,957,900	\$ 7,957,900	\$ 7,957,900	\$18,043,000	\$18,044,700
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>
Total Debt Service for \$122.2 M ^{4/}		\$ 5,032,900	\$ 5,032,900	\$ 5,032,900	\$ 5,032,900	\$ 7,387,900	\$ 7,386,900
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 ^{5/}		\$ (7,367,700)	\$(2,125,400)	\$ 2,915,700	\$10,501,600	\$ 8,535,300	\$16,940,400
Projected University Cost ^{6/}		\$ 9,925,600	\$ 4,723,500	\$ 2,598,200	\$ 2,598,200	\$ 5,086,200	\$ 5,086,300

1/ Represents JCCR reviewed projects. Does not reflect projects not yet reviewed by JCCR.
2/ Revenue estimates are based on a 5% annual increase in Lottery revenues.
3/ All of the building renewal bonds have been issued.
4/ 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 they withdrew their partnership from the Phoenix Biomedical Campus.
5/ 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.
6/ 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
 BASELINE

LEASE-PURCHASE PAYMENTS*

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

* 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
TOTAL - ALL SOURCES	89,714,800

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

Debt Financed Projects

2010 Leaseback Financing **FY 2013**
GF \$84,119,800

The Baseline 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, 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 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 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 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, 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. 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 exceeds 5%.

In FY 2012, the JLBC Baseline has a projected balance of \$583 million, or \$167 million above the 5% threshold of \$416 million. In FY 2013, the projected balance of \$431 million would be \$13 million above the 5% threshold. In total, those set asides would total \$180 million across the 2 years.

If that threshold is met between now and FY 2014, the state is required to purchase tax-exempt securities to the extent that the cash 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, 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.

In December 2011, ADOA reported that no working capital surplus existed for FY 2011. However, the FY 2012 balance may exceed 5% and could fall under the federal requirements.

Phoenix Convention Center GF 5,595,000

The Baseline 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.

* * *

FORMAT — Lump Sum by Project by Fund

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.

<u>Fund Type</u>	<u>FY 2013 Payment</u>	<u>Lease Completion</u>
General Fund	\$ 3,161,600	FY 2028
Other Approp.	8,233,900	FY 2028
Non-Approp.	<u>1,206,100</u>	FY 2028
Total	\$12,601,600	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 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.)*

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 Baseline 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 which are made from the General Fund are scheduled to increase by \$1,856,000 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 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, 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. 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.)*

Table 2

Lease-Purchase and Bonding Summary

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

(Continued)

Table 2 (Continued)

Lease-Purchase Summary	Overall Balance ^{1/}	GF Balance ^{1/}	Overall FY 13 Pymt. ^{2/}	FY 13 GF Pymt. ^{2/}	Retirement FY
ABOR Building System					
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 ^{8/}</u>	<u>253,272,000 ^{9/}</u>	<u>12,990,800</u>	<u>8,267,300 ^{9/}</u>	FY32
<i>Subtotal - ABOR</i>	\$1,952,595,000	\$ 253,272,000	\$152,834,400	\$ 8,267,300	
Lottery Revenue Bond ^{4/}	\$ 408,630,000	\$ 408,630,000	\$ 37,499,600	\$ 37,499,600	FY30
<i>TOTAL - Bonding</i>	<i>\$4,709,457,300</i>	<i>\$ 661,902,000</i>	<i>\$481,838,100</i>	<i>\$ 45,766,900</i>	
TOTAL - Lease-Purchase & Bonding	\$8,209,926,300	\$3,690,921,500	\$852,397,700	\$362,140,300	

- ^{1/} Represents principal balances as of June 30, 2013. 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 13 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 2013, this subsidy is expected to be \$4,438,400 of the \$11,187,300 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. The FY 2013 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.
- ^{6/} Includes \$1,559,425,000 for Highway User Revenue Fund bonds and \$303,270,000 for Grant Anticipation Notes.
- ^{7/} 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.
- ^{8/} 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.)
- ^{9/} 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.)