

**Capital Outlay  
Summary**

FY 2014  
APPROVED

**BUILDING RENEWAL**

ADOA Building System	14,637,900
ADOT Building System	3,188,200
ABOR Building System	0
<b>SUBTOTAL</b>	<b>17,826,100</b>

**INDIVIDUAL PROJECTS**

ADOA Building System	42,327,200
ADOT Building System	246,696,700
ABOR Building System	0
<b>SUBTOTAL</b>	<b>289,023,900</b>

**LEASE-PURCHASE PAYMENTS**

Lease-Purchase Obligations	104,568,800 <sup>1/</sup>
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**TOTALS**

ADOA Building System	161,533,900
ADOT Building System	249,884,900
ABOR Building System	0
<b>TOTAL - ALL PROJECTS</b>	<b>411,418,800</b>

**FUND SOURCES**

General Fund	135,568,800
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	11,000,000
Department of Corrections Building Renewal Fund	13,000,000
Game and Fish Fund	547,600
Game and Fish Capital Improvement Fund	327,200
State Aviation Fund	21,311,900
State Highway Fund	228,573,000
State Lottery Fund	90,300
State Parks Revenue Fund	1,000,000
SUBTOTAL - Other Appropriated Funds	275,850,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>411,418,800</b>
Other Non-Appropriated Funds	501,268,000
Federal Funds	644,486,000
<b>TOTAL - ALL SOURCES</b>	<b>1,557,172,800</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:

is from Other Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

**Capital Outlay**

The budget includes a total of \$411,418,800 from Appropriated Funds in FY 2014. Of the total, \$135,568,800 is from the General Fund and \$275,850,000

<sup>1/</sup> This amount was appropriated by the General Appropriation Act (Laws 2013, 1<sup>st</sup> Special Session, Chapter 1, Section 123 and Section 124). All other appropriations appear in the FY 2014 Capital Outlay Bill (Laws 2013, 1<sup>st</sup> Special Session, Chapter 8).

**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.

The budget includes total funding of \$17,826,100 in FY 2014 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$9,000,000
Capital Outlay Stabilization Fund	
@ 32% (non-ADC buildings)	
Department of Corrections Building	5,000,000
Renewal Fund @ 33% (ADC-only	
buildings)	
Game and Fish Fund @ 100%	547,600
State Lottery Fund @ 100%	<u>90,300</u>
Subtotal - ADOA	\$14,637,900

Arizona Department of Transportation	
State Highway Fund @ 28.5%	\$ 3,000,000
State Aviation Fund @ 100%	<u>188,200</u>
Subtotal - ADOT	\$ 3,188,200

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

**Individual Projects**

The budget includes a total of \$289,023,900 from Appropriated Funds in FY 2014 for individual capital projects. Of this amount, \$31,000,000 is from the General Fund for a previously enacted prison project and renovations to residential facilities at the Tucson campus of the Arizona State Schools for the Deaf and the Blind. The remaining \$258,023,900 is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

**Lease-Purchase Payments**

The budget includes \$104,568,800 from the General Fund in FY 2014 for payments related to prior year lease-purchase agreements to resolve budget shortfalls and the state's share of the long term financing for the Phoenix Convention Center. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

# Capital Outlay

## Arizona Department of Administration Building System

FY 2014  
APPROVED

### BUILDING RENEWAL

Department of Administration <sup>1/</sup>	9,000,000
Game and Fish Department	547,600
Arizona Lottery Commission	90,300
Department of Corrections <sup>2/</sup>	5,000,000
<b>SUBTOTAL <sup>3/</sup></b>	<b>14,637,900</b>

### INDIVIDUAL PROJECTS <sup>4/</sup>

#### Department of Administration

Capitol Mall Security System Replacement/Upgrade	2,000,000
Maximum Security Prison Beds	30,000,000

#### Department of Corrections

Yuma Prison Complex - Cheyenne Unit Repairs	8,000,000
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#### Game and Fish Department

Black Canyon Dam Repairs	327,200
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#### Arizona State Schools for the Deaf and the Blind

Tucson Campus Residential Facilities Repairs	1,000,000
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#### Arizona State Parks Board

Capital Improvement Projects <sup>5/</sup>	1,000,000
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#### SUBTOTAL

**42,327,200**

### TOTAL - ALL PROJECTS

**56,965,100**

### FUND SOURCES

General Fund	31,000,000
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#### Other Appropriated Funds

Capital Outlay Stabilization Fund	11,000,000
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Department of Corrections Building Renewal Fund	13,000,000
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Game and Fish Fund	547,600
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Game and Fish Capital Improvement Fund	327,200
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State Lottery Fund	90,300
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State Parks Revenue Fund	1,000,000
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#### SUBTOTAL - Other Appropriated Funds

**25,965,100**

#### SUBTOTAL - Appropriated Funds

**56,965,100**

### TOTAL - ALL SOURCES <sup>6/7/8/9/</sup>

**56,965,100**

**DESCRIPTION** — The Arizona Department of Administration (ADOA) Building System is comprised of 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.

<sup>1/</sup> 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. (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 2014 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 2014 that are unexpended or unencumbered on June 30, 2015 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 2013, 1<sup>st</sup> Special Session, Chapter 8 (FY 2014 Capital Outlay Bill).

### **Building Renewal**

The budget includes \$14,637,900 from Other Appropriated Funds in FY 2014 for Building Renewal within the ADOA Building System. This amount consists of:

- \$9,000,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA. This funds 32% of the non-Department of Corrections (ADC) building renewal formula. The FY 2013 budget included \$10,372,600, which represented 39% of the non-ADC formula.
- \$547,600 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula. The FY 2013 budget included \$523,300 from the Game and Fish Fund, which also represented 100% of the agency's building renewal formula.
- \$90,300 from the State Lottery Fund to the Arizona State Lottery Commission to fund 100% of the building renewal formula. The FY 2013 budget included \$85,200 from the State Lottery Fund, which also represented 100% of the agency's building renewal formula.
- \$5,000,000 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 FY 2013 budget included \$4,630,500, which also represented 33% 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, 2015.

## **Individual Projects**

### **Department of Administration**

#### **Capitol Mall Security System Replacement/Upgrade**

The budget includes \$2,000,000 from COSF in FY 2014 for the replacement and upgrade of the security system at the State Capitol Mall. These monies are intended to address a variety of problems, including failures relating to employee badging and other security hardware.

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

The budget includes \$30,000,000 from the General Fund in FY 2014 for the construction of 500 male, state-run, maximum security prison beds. These monies were originally appropriated to ADOA in the FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295). The beds are scheduled to open in FY 2015. *(Please see the ADC agency narrative for more information.)*

### **Department of Corrections**

#### **Yuma Prison Complex - Cheyenne Unit Repairs**

The budget includes \$8,000,000 from the ADC Building Renewal Fund in FY 2014 for repairs at the Cheyenne Unit at the ADC Yuma Prison Complex. These monies will be used to address significant structural problems in the unit, which has resulted in the deactivation of portions of the unit and the outsourcing of daily services to offsite areas.

### **Game and Fish Department**

#### **Black Canyon Dam Repairs**

The budget includes \$327,200 from the Game and Fish Capital Improvement Fund in FY 2014 for repairs to the Black Canyon Dam located in Navajo County.

### **Arizona State Schools for the Deaf and the Blind**

#### **Tucson Campus Residential Facilities Repairs**

The budget includes \$1,000,000 in one-time funding from the General Fund in FY 2014 for dormitory renovations on the Tucson campus. The monies will be used to finish renovations at an estimated cost of \$55 per square foot. Renovations will include updating bathrooms, plumbing, flooring, paint and lighting. Completion of these dorms will bring the total capacity in the remodeled dorms to 144 beds.

- 4/ 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)
- 5/ Laws 2013, 1<sup>st</sup> Special Session, Chapter 9 appropriates \$1,000,000 of interest income from the Budget Stabilization Fund to the State Parks Revenue Fund. The \$1,000,000 is then further appropriated from the State Parks Revenue Fund to the Arizona State Parks Board for capital improvement projects.
- 6/ 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)
- 7/ 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)
- 8/ 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)
- 9/ The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided if the 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, 2013. (Capital Outlay Appropriation Act footnote)

**Arizona State Parks Board**

**Capital Improvement Projects**

The budget includes \$1,000,000 from the State Parks Revenue Fund (SPRF) in FY 2014 for capital improvements in the State Park system. This funding is originally derived from the Budget Stabilization Fund (BSF), as the FY 2014 Revenue Budget Reconciliation Bill (BRB) (Laws 2013, 1<sup>st</sup> Special Session, Chapter 9) appropriates \$1,000,000 from BSF interest income to the State Parks Revenue Fund in FY 2014. Chapter 9 further appropriates the \$1,000,000 from the SPRF to the Arizona State Parks Board.

**Additional Legislation**

***COSF Rental Rate Change & Payment Adjustments***

The budget includes \$67,800 net General Fund changes in all lease-purchase and rental charges. In total funds, the net increase is \$1,004,300. The lease-purchase and rent changes include the following adjustments:

	<u>General Fund</u>	<u>Total Funds</u>
• Lease-Purchase	\$ 1,100	\$ 6,800
• PLTO	66,700	299,300
• Rental Rate Reduction/ Square Footage Change	<u>0</u>	<u>698,200</u>
	\$67,800	\$1,004,300

***Lease-Purchase***

In FY 2014, lease-purchase payments will increase by \$6,800, of which \$1,100 is from the General Fund and \$5,700 from Other Appropriated Funds.

***Privatized-Lease-to-Own (PLTO)***

Privatized lease-to-own payments will increase by \$299,300, of which \$66,700 is from the General Fund, \$203,500 from Other Appropriated Funds.

***Rental Rate Reduction/Square Footage Change***

FY 2014 adjustments for the reduction in the state rental rate and the updated definition of square footage total \$698,200, of which \$504,400 is from Other Appropriated Funds. This adjustment has no net General Fund impact.

The FY 2013 Budget Procedures BRB (Laws 2012, Chapter 296) included a legislative intent statement that the rental rates would be converted from usable square feet to rentable square feet in FY 2014, if there is no General Fund impact. Other Fund and non-appropriated sources may increase or decrease over FY 2013 COSF rent payments.

ADOA classifies usable square feet as the net work area of an agency. Rentable area incorporates more square feet as it includes net work area plus shared common space in the building, such as hallways or lobbies. As a result of the larger amount of square feet in the FY 2014 office space rent calculation, the rentable rate can be adjusted

downward and still generate a comparable amount of COSF revenues.

The FY 2014 budget decreases the office space rate from \$13.82/square foot to \$13.08/square foot and the storage space rate is reduced from \$5.01/square foot to \$4.74/square foot. These revised levels would generate FY 2014 COSF collections of \$28,673,600. This amount is an increase of \$698,200 over the FY 2013 amount, but reflects no net General Fund impact.

The additional \$698,200 in revenue would come from \$504,400 in Other Appropriated Funds and \$193,800 in non-appropriated funds. *(Please see the FY 2014 Change in Lease-Purchase and Rent Payments – Detail by Agency table for additional information.)*

**FY 2014 Change in Lease-Purchase and Rent Payments - Detail by Agency**

Agency	Lease-Purchase I/				PLTO I/				Rent				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Accountancy, State Board of					0	5,100	0	5,100					0	5,100	0	5,100
Acupuncture Board of Examiners									0	900	0	900	0	900	0	900
Administration, AZ Dept. of	(100)	0	0	(100)	19,000	49,000	5,100	73,100	(107,200)	55,800	(3,500)	(54,900)	(88,300)	104,800	1,600	18,100
Administrative Hearings, Office of									12,200	(1,000)	22,600	33,800	12,200	(1,000)	22,600	33,800
Agriculture, AZ Dept. of									16,000	0	4,300	20,300	16,000	0	4,300	20,300
AZ Health Care Cost Containment System									(400)	0	(800)	(800)	(400)	0	(400)	(800)
Appraisal, State Board of									0	9,200	0	9,200	0	9,200	0	9,200
Arts, AZ Commission on the									0	0	(8,300)	(8,300)	0	0	(8,300)	(8,300)
Attorney General - Dept. of Law									(27,200)	(600)	15,700	(12,100)	(27,200)	(600)	15,700	(12,100)
Automobile Theft Authority									0	7,200	0	7,200	0	7,200	0	7,200
Barbers, Board of									0	2,600	0	2,600	0	2,600	0	2,600
Charter Schools, State Board for									47,300	0	0	47,300	47,300	0	0	47,300
Citizens Clean Election Commission									0	0	(1,600)	(1,600)	0	0	(1,600)	(1,600)
Contractors, Registrar of									0	(21,400)	0	(21,400)	0	(21,400)	0	(21,400)
Corporation Commission									(700)	107,400	(400)	106,300	(700)	107,400	(400)	106,300
Corrections, Arizona Department of	1,700	0	0	1,700					261,000	0	0	261,000	262,700	0	0	262,700
Criminal Justice Commission, Arizona					0	300	3,900	4,200					0	300	3,900	4,200
Deaf and Hard of Hearing, Commission for the					0	6,300	0	6,300	0	(19,500)	0	(19,500)	0	(13,200)	0	(13,200)
Economic Security, Dept. of									(134,000)	(48,100)	42,800	(139,300)	(134,000)	(48,100)	42,800	(139,300)
Education, Dept. of									13,600	4,700	28,500	46,800	13,600	4,700	28,500	46,800
Environmental Quality, Department of					0	91,600	0	91,600	0	(10,400)	0	(10,400)	0	81,200	0	81,200
Environmental Quality, Department of - WIFA					0	0	2,500	2,500					0	0	2,500	2,500
Equal Opportunity, Governor's Office of									(1,000)	0	0	(1,000)	(1,000)	0	0	(1,000)
Equalization, State Board of					2,100	0	0	2,100	200	0	0	200	2,300	0	0	2,300
Executive Clemency, State Board of									10,300	0	0	10,300	10,300	0	0	10,300
Financial Institutions, Dept. of									15,500	3,100	0	18,600	15,500	3,100	0	18,600
Fire, Building and Life Safety, Dept. of					3,400	0	1,200	4,600	(10,300)	0	(6,300)	(16,600)	(6,900)	0	(5,100)	(12,000)
Funeral Directors & Embalmers, State Board of									0	3,100	0	3,100	0	3,100	0	3,100
Forester, State					2,600	0	0	2,600					2,600	0	0	2,600
Gaming, Dept. of					0	14,000	0	14,000	0	(1,600)	0	(1,600)	0	12,400	0	12,400
Geological Survey, AZ									58,100	0	0	58,100	58,100	0	0	58,100
Governor, Office of the									93,300	0	22,700	116,000	93,300	0	22,700	116,000
Gov's Ofc. Of Strategic Planning & Budgeting									43,900	0	0	43,900	43,900	0	0	43,900
Health Services, Dept. of	(500)	5,700	0	5,200	38,800	25,900	0	64,700	109,100	397,400	0	506,500	147,400	429,000	0	576,400
Historical Society, AZ									15,800	0	0	15,800	15,800	0	0	15,800
Homeland Security, AZ Dept. of									0	0	32,800	32,800	0	0	32,800	32,800
Homeopathic & Integ. Med. Exam., State Board of									0	1,100	0	1,100	0	1,100	0	1,100
Housing, Dept. of					0	700	10,700	11,400					0	700	10,700	11,400
Independent Redistricting Commission									(500)	0	0	(500)	(500)	0	0	(500)
Indian Affairs, AZ Commission of									2,100	0	0	2,100	2,100	0	0	2,100
Insurance, Dept. of					0	0	1,300	1,300	36,000	0	11,900	47,900	36,000	0	13,200	49,200
Judiciary - Court of Appeals									(40,700)	0	0	(40,700)	(40,700)	0	0	(40,700)
Judiciary - Supreme Court									(170,400)	0	0	(170,400)	(170,400)	0	0	(170,400)
Juvenile Corrections, Dept. of									(292,500)	0	0	(292,500)	(292,500)	0	0	(292,500)
Land Dept., State									0	(82,800)	0	(82,800)	0	(82,800)	0	(82,800)
Legislature - Auditor General									92,700	0	0	92,700	92,700	0	0	92,700
Liquor Licenses & Control, Dept. of									0	(2,300)	0	(2,300)	0	(2,300)	0	(2,300)
Massage Therapy, Board of									0	28,500	0	28,500	0	28,500	0	28,500
Medical Board, AZ									0	(11,200)	0	(11,200)	0	(11,200)	0	(11,200)
Mine Inspector, State									20,800	0	0	20,800	20,800	0	0	20,800
Naturopathic Physicians Medical Board									0	(18,600)	0	(18,600)	0	(18,600)	0	(18,600)
Navigable Stream Adj. Commission, AZ									(600)	0	0	(600)	(600)	0	0	(600)
Nursing Care Inst. Admin. & Asst. Living Fac. Mgrs.									0	6,600	0	6,600	0	6,600	0	6,600
Opticians, State Board of Dispensing									0	1,200	0	1,200	0	1,200	0	1,200
Optometry, State Board of									0	1,900	0	1,900	0	1,900	0	1,900
Osteopathic Examiners, AZ Board of									0	500	0	500	0	500	0	500
Parks Board, AZ State									0	8,000	23,000	31,000	0	8,000	23,000	31,000
Personnel Board									0	4,500	0	4,500	0	4,500	0	4,500
Pest Management, Office of									0	1,400	0	1,400	0	1,400	0	1,400
Pharmacy, AZ State Board of									0	32,200	0	32,200	0	32,200	0	32,200

Agency	Lease-Purchase <u>1/</u>				PLTO <u>1/</u>				Rent				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Podiatry Examiners, State Board of									0	900	0	900	0	900	0	900
Private Postsecondary Ed., State Board for									0	2,500	600	3,100	0	2,500	600	3,100
Psychologist Examiners, State Board of									0	3,400	0	3,400	0	3,400	0	3,400
Public Safety, Dept. of									21,200	5,600	5,800	32,600	21,200	5,600	5,800	32,600
Racing, AZ Dept. of					0	3,500	0	3,500					0	3,500	0	3,500
Real Estate Dept., State									21,000	0	0	21,000	21,000	0	0	21,000
Residential Utility Consumer Office					0	2,800	0	2,800					0	2,800	0	2,800
Respiratory Care Examiners, Board of									0	4,400	0	4,400	0	4,400	0	4,400
Revenue, Dept. of									(44,200)	(22,900)	0	(67,100)	(44,200)	(22,900)	0	(67,100)
Rio Nuevo Board									0	0	(1,300)	(1,300)	0	0	(1,300)	(1,300)
School Facilities Board									11,800	0	4,900	16,700	11,800	0	4,900	16,700
Secretary of State - Dept. of State.									(72,200)	0	0	(72,200)	(72,200)	0	0	(72,200)
State Boards' Office									0	12,800	0	12,800	0	12,800	0	12,800
Tax Appeals, State Board of					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
Tourism, Office of					0	0	4,400	4,400					0	0	4,400	4,400
Transportation, Dept. of									0	14,000	0	14,000	0	14,000	0	14,000
Treasurer, State									0	21,700	0	21,700	0	21,700	0	21,700
Veterinary Med. Examining Board, AZ State									0	2,200	0	2,200	0	2,200	0	2,200
<b>TOTAL</b>	<b>\$1,100</b>	<b>\$5,700</b>	<b>\$0</b>	<b>\$6,800</b>	<b>\$66,700</b>	<b>\$203,500</b>	<b>\$29,100</b>	<b>\$299,300</b>	<b>\$0</b>	<b>\$504,400</b>	<b>#####</b>	<b>\$698,200</b>	<b>\$67,800</b>	<b>\$713,600</b>	<b>\$222,900</b>	<b>\$1,004,300</b>

1/ Under a traditional lease-purchase agreement, the state issues certificates of participation (COPs) to generate proceeds to finance capital projects. Subject to annual legislative and continuing appropriations, the state pays off the lease-purchase over a period of time. Under a privatized lease-to-own (PLTO) agreement, a private entity constructs a building and leases it to the state. At the end of the term, the state takes possession of the building.

# Capital Outlay

## Arizona Department of Transportation Building System

FY 2014  
APPROVED

### BUILDING RENEWAL

ADOT Building Renewal <sup>1/</sup>	3,188,200
<b>SUBTOTAL</b>	<b>3,188,200</b>

### INDIVIDUAL PROJECTS <sup>2/</sup>

De-Icer Buildings <sup>3/</sup>	2,280,000
Vehicle Wash Systems <sup>4/</sup>	3,000,000
Airport Planning and Development <sup>5/</sup>	21,123,700
Statewide Highway Construction <sup>6/7/</sup>	220,293,000
<b>SUBTOTAL</b>	<b>246,696,700</b>

<b>TOTAL - ALL PROJECTS <sup>8/9/10/11/</sup></b>	<b>249,884,900</b>
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### FUND SOURCES

#### Other Appropriated Funds

State Aviation Fund	21,311,900
State Highway Fund	228,573,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>249,884,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>249,884,900</b>

Other Non-Appropriated Funds	501,268,000
Federal Funds	644,486,000
<b>TOTAL - ALL SOURCES</b>	<b>1,395,638,900</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.

- <sup>1/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2014 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 2014 that are unexpended or unencumbered on June 30, 2015 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 Highway Fund for 6 de-icer buildings. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> The amount is appropriated from the State Highway Fund for 6 vehicle wash systems. (Capital Outlay Appropriation Act footnote)
- <sup>5/</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>6/</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>7/</sup> The Department of Transportation and the General Accounting Office shall report on or before November 1, 2013 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. Before submitting the report, the Department of Transportation and the General Accounting Office shall provide the report format to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting for their review. (Capital Outlay Appropriation Act footnote)
- <sup>8/</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)



Unless otherwise specified, funding for capital projects is appropriated by Laws 2013, 1<sup>st</sup> Special Session, Chapter 8 (FY 2014 Capital Outlay Bill).

### **Building Renewal**

The budget includes \$3,188,200 in FY 2014 for Building Renewal within ADOT's Building System. This amount consists of \$3,000,000 from the State Highway Fund (SHF) and \$188,200 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 28.5% funding of the revised highways building renewal formula and 100% funding of the aviation building renewal formula.

### **Individual Projects**

#### **De-Icer Buildings**

The budget includes \$2,280,000 from SHF in FY 2014 for ADOT to construct 6 new buildings that will house de-icer chemicals, bulk sand, and cinders, used during winter months to de-ice highways after the snow has been plowed. They will be located at Alpine, Fort Rock, Oak Creek, Payson, Safford, and St. Johns and will replace existing deteriorated facilities and outside storage. These facilities will help ADOT incorporate environmental enhancements requested by the Arizona Department of Administration, Risk Management Division, minimizing the potential for environmental incidents. Each de-icer building will cost an estimated \$380,000.

#### **Vehicle Wash Systems**

The budget includes \$3,000,000 from SHF in FY 2014 for ADOT to construct new vehicle wash systems at 6 highway maintenance sites statewide, including Cordes Junction, Fredonia, Ganado, Globe, Kayenta, and Springerville. Each vehicle wash system costs \$500,000. A wash system includes a 1,200 square foot metal building, a rack frame for handling de-icer material spreaders, and equipment to contain contaminants such as road tar, lubricants and de-icer salts. The wash systems will help ADOT meet wastewater environmental regulations to protect surface and ground water. ADOT

plans to construct additional new vehicle wash systems in future years.

### **Airport Planning and Development**

The budget includes \$21,123,700 from the State Aviation Fund in FY 2014 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. A footnote in the FY 2014 Capital Outlay Bill appropriates any additional monies in SAF above the appropriation to ADOT for aviation construction. (*Please see Footnote 5.*)

### **Statewide Highway Construction**

The budget includes \$220,293,000 from SHF in FY 2014 for controlled access, debt service on bonds, and new construction. A footnote in the FY 2014 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction. (*Please see Footnote 6.*)

#### **Controlled Access Highways**

The budget includes an estimated urban freeway controlled access funding level of \$84,259,000 from SHF in FY 2014. Please see *Table 6* for the HURF distribution analysis, which shows that after implementing statewide adjustments \$84,312,000 of net SHF monies will be available for controlled access in FY 2014 rather than \$84,259,000. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

#### **Debt Service**

The budget includes \$116,426,000 from SHF in FY 2014 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,600,620,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2014 debt service payments. (*See Table 3 for more information on debt service.*)

#### **New Construction**

The budget includes \$19,608,000 from SHF in FY 2014 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

<sup>9/</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>10/</sup> On or before November 1, 2013, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2015 and the estimated debt service payment amount for FY 2015 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This report shall include State Highway Fund statewide construction bonds, Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and Grant Anticipation Notes and is intended to be comparable to the information in the *FY 2014 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

<sup>11/</sup> On or before November 1, 2013, the Department of Transportation shall report capital outlay information for FY 2013, FY 2014 and FY 2015 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This information shall appear in the same format as tables 2, 3, 4 and 6, as found in the *FY 2013 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

Table 6 for the HURF distribution analysis, which shows that after implementing statewide adjustments \$8,805,000 of net SHF monies will be available for statewide highway construction in FY 2014 rather than \$19,608,000. (Please see the Summary of Highway Construction section and Table 6 for additional information.)

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

<b>Table 1</b>	
<b>FY 2014 Highway Construction &amp; Debt Service</b>	
	<u>Capital Outlay Bill</u>
Controlled Access	\$ 84,259,000
Debt Service	116,426,000
Highway Construction	<u>19,608,000</u>
<b>Total</b>	<b>\$220,293,000</b>

As noted in the HURF distribution table (please see Table 6), an additional amount of \$253,800,000 from unspent FY 2013 State Highway Fund monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2014.

#### 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 2014 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 Fund Expenditures</b>			
<b>(\$ in Thousands)</b>			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 564	\$ 978	\$ 1,000
Federal Grants	<u>623,000</u>	<u>643,486</u>	<u>643,486</u>
<b>Subtotal - Federal Funds</b>	<b>\$623,564</b>	<b>\$ 644,464</b>	<b>\$ 644,486</b>
Economic Strength Project Fund	\$ 1,000	\$ 1,000	\$ 1,000
Local Agency Deposits Fund	94,210	100,000	100,000
Maricopa Regional Area Road Fund	234,830	470,066	400,268
<b>Subtotal - Other Non-Appropriated Funds</b>	<b>\$330,040</b>	<b>\$ 571,066</b>	<b>\$ 501,268</b>
<b>Total</b>	<b>\$953,604</b>	<b>\$1,215,530</b>	<b>\$1,145,754</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 15, 2012 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 in 2012 totals \$1,195,947,000 for FY 2014, including \$879,574,000 for construction and maintenance projects scheduled to begin in FY 2014, and \$316,373,000 for debt service. The board adopted a new 5-year plan in June 2013, but this new plan's updated financial information was not received in time to be reflected in these figures. (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 2014, 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 2014.

Of the revenue amounts in Table 4, 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 3**

#### Highway Construction Projects Beginning in FY 2014 and Debt Service Payments

	<u>FY 2014</u> <sup>1/</sup>
Construction	\$ 141,810
Urban Controlled Access <sup>2/</sup>	413,044
Pavement Preservation Maintenance	256,513
Other <sup>3/</sup>	68,207
Debt Service <sup>4/</sup>	<u>316,373</u>
<b>Total</b>	<b>\$1,195,947</b>

<sup>1/</sup> Data from ADOT's 2013-2017 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 \$116,426,000 for SHF statewide construction bonds; \$33,572,000 for HURF, MAG, and PAG controlled access bonds; \$103,588,000 for Maricopa Regional Area Road Fund Bonds; and \$62,787,000 for Grant Anticipation Notes as of June 30, 2012.

**Table 4**  
**Estimated Highway Construction - Cash Basis**  
**(\$ in Thousands)**

	<b>FY 2014</b>
<b>Balance Forward</b> <sup>1/</sup>	<b>\$ 472,426</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction	\$ 19,608
Appropriated Controlled Access Highways (MAG & PAG)	85,400
Appropriated Debt Service	116,426
½ Cent Sales Tax	202,900
Federal Aid	921,226
Maricopa Regional Area Road Fund Bond Proceeds <sup>2/</sup>	0
Miscellaneous Income/Expenses <sup>3/</sup>	(4,079)
Subtotal - Revenues	<u>\$1,341,481</u>
<b>Total Funds Available for Construction</b>	<b>\$1,813,907</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	\$ 116,426
Other Debt Service (All Other) <sup>4/</sup>	<u>199,947</u>
Subtotal - Debt Service	\$ 316,373
<b>Planned Construction Expenditures</b>	
Statewide Highway Construction (including PAG)	\$ 746,880
Controlled Access Highways (MAG)	<u>529,405</u>
Subtotal - Construction Expenditures	<u>\$1,276,285</u>
<b>Total Planned Expenditures</b>	<b>\$1,592,658</b>
<b>Balance Forward</b>	<b>\$ 221,249</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, construction operating budget reimbursements, 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.

Total FY 2012 HURF collections of \$1,210,586,000 were 0.5% above FY 2011. The budget assumes a 0.6% increase in total HURF revenue collections in FY 2013 followed by a 1.0% increase in FY 2014. Total FY 2013 HURF collections were essentially the same as FY 2012.

The increase in HURF collections in FY 2012 was due to growth in all major HURF revenue categories with the exception of VLT and the gas tax. VLT revenue decreased (0.3)% from FY 2011 because individuals are keeping their vehicles longer. Gas tax collections also declined (0.3)% over the prior fiscal year, while registration revenues increased 1.3%. Increased commercial trucking led to growth in the use fuel tax (diesel) and the motor carrier fee in FY 2012.

**Table 5**  
**Percentage Distribution of HURF Monies**

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.

### 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 2012 through FY 2014. The line in *Table 6* showing Net SHF Available for Statewide Highway Construction, which totals \$8,805,000 for FY 2014, 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.

Table 6

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

	<b>FY 2012</b> <b>Actual</b>	<b>FY 2013</b> <b>Estimate</b>	<b>FY 2014</b> <b>Estimate</b>
<b>Total HURF Collections</b>	\$1,210,586	\$1,217,850	\$1,230,028
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program <sup>2/</sup>	662	645	652
MVD Operating Budget <sup>3/</sup>	88,691	0	0
Dept. of Public Safety Transfer from HURF <sup>4/</sup>	<u>123,211</u>	<u>119,965</u>	<u>119,247</u>
<b>Net HURF Collections</b>	<b>997,022</b>	<b>1,096,240</b>	<b>1,109,129</b>
Less: Cities <sup>5/</sup>	304,092	334,353	338,284
Counties <sup>5/</sup>	189,434	208,286	210,735
VLT Transfer to General Fund <sup>6/</sup>	105,822	0	0
VLT Transfer to Parity Compensation Fund <sup>7/</sup>	2,396	2,467	2,528
VLT Transfer to General Fund (5-Year VLT) <sup>8/</sup>	1,234	1,200	1,200
VLT Transfer to General Fund (Abandoned Vehicle) <sup>9/</sup>	2,126	1,700	1,700
Distribution to 10 Least Populated Counties <sup>10/</sup>	4,090	0	0
Controlled Access <sup>11/</sup>	<u>58,950</u>	<u>83,332</u>	<u>84,312</u>
<b>Net SHF (Discretionary)</b>	<b>328,878</b>	<b>464,902</b>	<b>470,370</b>
Plus: Other Income <sup>12/</sup>	29,949	26,302	26,371
Less: Operating Budget <sup>13/</sup>	242,048	330,114	337,323
Dept of Public Safety Transfer from Highway Fund <sup>14/</sup>	0	6,780	6,744
Operating Carryovers, Adjustments and Transfers <sup>15/</sup>	5	5	5
Capital Outlay and Building Renewal	1,000	1,000	8,280
Motor Vehicle Third Party Payments <sup>16/</sup>	18,667	18,695	19,158
Debt Service <sup>17/</sup>	<u>110,675</u>	<u>109,306</u>	<u>116,426</u>
<b>Net SHF Available for Statewide Highway Construction (5-Year Plan) <sup>18/</sup></b>	<b>(13,568)</b>	<b>25,304</b>	<b>8,805</b>
<b>SHF Adjustments</b>			
Plus: Controlled Access SHF Beginning Balance	185,400	196,340	216,000
STAN Account Beginning Balance	<u>38,341</u>	<u>37,995</u>	<u>37,800</u>
<b>Total SHF Available for Statewide Highway Construction</b>	<b>\$ 210,173</b>	<b>\$ 259,639</b>	<b>\$ 262,605</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 amount included funding changes for statewide adjustments and an additional pay period for the Registration Compliance Program. The FY 2013 General Appropriation Act amount of \$644,800 discontinues the additional pay period funding, but it includes \$800 for statewide adjustments and \$19,200 for the retention payment. The FY 2014 General Appropriation Act amount of \$651,500 includes \$(400) for statewide adjustments and \$26,300 for the retention payment.

<sup>3/</sup> The FY 2012 General Appropriation Act shifted the funding for the Motor Vehicle Division (MVD) from SHF to HURF. The FY 2012 appropriation for MVD included funding changes for statewide adjustments and an additional pay period. The FY 2013 General Appropriation Act shifted 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, which was discontinued in FY 2013. The FY 2013 General Appropriation Act amount of \$119,965,000 continued the FY 2012 statewide adjustments, and it includes \$4,000 for the retention payment. The FY 2014 General Appropriation Act amount of \$119,247,100 includes \$719,800 for statewide adjustments and \$5,900 for the retention payment.

<sup>5/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>6/</sup> In FY 2012, the \$105,821,700 VLT transfer consisted 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 and the FY 2014 budget discontinue 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, 7<sup>th</sup> 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, 7<sup>th</sup> 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 and the FY 2014 budget discontinue 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 2012 only, this amount includes \$28,838,000 in miscellaneous revenue, \$448,000 in transfers from SETIF to SHF, and \$663,000 for the Registration Compliance Program. The FY 2013 General Appropriation Act discontinued the \$448,000 transfer from SETIF to SHF, but the FY 2013 estimate of \$26,301,600 includes \$25,676,000 in miscellaneous revenue and \$625,600 for the Registration Compliance program. The FY 2014 budget amount of \$26,370,500 includes \$25,719,000 in miscellaneous revenue and \$651,500 for the Registration Compliance program.

<sup>13/</sup> In FY 2012, the operating budget included funding changes for statewide adjustments and an additional pay period; it also excluded MVD, which was funded from HURF. The FY 2013 General Appropriation Act amount of \$330,114,400 includes \$413,800 in statewide adjustments, \$3,950,800 for the retention payment, and MVD. The FY 2014 General Appropriation Act amount of \$337,323,200 includes \$(295,400) in statewide adjustments, \$5,410,800 for the retention payment, and MVD.

<sup>14/</sup> The FY 2014 General Appropriation Act amount of \$6,743,800 includes \$(36,200) in statewide adjustments.

<sup>15/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>16/</sup> Statutory payments to third parties from VLT collected by third parties.

<sup>17/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>18/</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 2014  
 APPROVED

**BUILDING RENEWAL**

Arizona Board of Regents	0
<b>TOTAL</b>	<b>0</b>

**FUND SOURCES**

General Fund	0
<b>TOTAL - ALL SOURCES</b>	<b>0</b>

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

**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 (JCCR). The formula takes into account the replacement value, age, and life cycle of a building. The ABOR formula, however, has not been funded in recent years and is not included in the FY 2014 budget.

**Lease-Purchase Projects**

In FY 2014, ABOR is projected to have \$799,536,000 in outstanding lease-purchase balances, with an overall debt service payment of \$82,525,100. The General Fund share of the debt service is \$34,065,300. (*See Capital Outlay - Debt and Lease-Purchase Financing for more information.*)

**Bonding**

In FY 2014, ABOR is projected to have \$2,186,477,500 in outstanding bond balances, including both system revenue and Lottery bonds. The projected debt service is \$184,903,300. (*See Capital Outlay - Debt and Lease-Purchase Financing for more information.*)

*University Lottery Bonds*

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 facilities. The bonds are to be paid with 80% Lottery monies and 20% university system revenues.

Of the \$800,000,000, 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. ABOR also decided to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction. With the Phoenix Biomedical Campus and School of Construction set-asides, \$408,000,000 remained to be

allocated. ABOR then split this amount evenly to each of the 3 universities (\$136,000,000 each) for building renewal, deferred maintenance, and new construction projects.

**\$408,000,000 Allocation**

In terms of the \$408,000,000 allocation, JCCR favorably reviewed \$167,700,000 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 \$167,700,000 has been issued. In September 2011, the Committee favorably reviewed \$32,388,000 for ASU building renewal projects, of which \$30,915,000 was issued in November 2011. In October and December 2012, the Committee favorably reviewed \$38,000,000 for ASU building renewal projects, of which \$35,000,000 was issued in January 2013, with the remaining \$3,000,000 to be issued in fall 2013. Additionally, the Committee favorably reviewed \$66,500,000 for the University of Arizona (UA) new construction projects in December 2012, which was issued in April 2013.

As a result of these actions, \$304,573,000 of the \$408,000,000 has been favorably reviewed by JCCR. The entire \$304,573,000 has been issued.

**Phoenix Biomedical Campus**

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. 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. If any of the ASU and NAU portions are not being spent for their originally reviewed

purposes, the new uses of those monies would need further JCCR review before issuance.

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.

#### School of Construction

The Committee also favorably reviewed \$16,000,000 for the ASU School of Construction in October 2012, which represents the total \$16,000,000 allocation for that portion of bonding authority. The entire \$16,000,000 was issued in April 2013.

#### Summary

Between the Phoenix Biomedical Campus, the ASU School of Construction and other projects, \$442,818,000 of the Chapter 287 authority has been reviewed (*see Table 1*). At this time, a total of \$357,182,000 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 reviewed and planned 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 up to 80% Lottery revenues and at least 20% state university system revenues, as required by Chapter 287. The \$442,818,000 of reviewed issuances will result in a total debt service payment of \$23,164,000 in FY 2014.

After all Lottery revenue beneficiaries receive their statutory distributions, the UCI Fund receives its distribution before any remaining monies are deposited to the General Fund. The Joint Legislative Budget Committee (JLBC) Staff estimates that the UCI Fund could receive as much as \$34,220,900 in FY 2014. Since the maximum 80% Lottery portion of the debt service is expected to be only \$18,531,200 in FY 2014, the remaining \$15,689,700 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is \$4,632,800 in FY 2014.

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, ASU School of Construction and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds.

The FY 2014 Higher Education Budget Reconciliation Bill (Laws 2013, 1<sup>st</sup> Special Session, Chapter 7) requires that ABOR report projected outstanding lease-purchase and bond balances for the upcoming budget year to the JLBC Staff and the Governor's Office of Strategic Planning and Budgeting by November 1 of the current year.

Table 1

## University Issuances

<u>Purpose</u>	<u>University</u>	<u>Statutory Distribution</u>	<u>Reviewed Issuance</u>	<u>Remaining Authority</u>	<u>Planned Issuance</u> <sup>2/</sup>	<u>Total Issuance</u>
Phoenix Biomedical Campus	UA	\$376,000,000	\$122,245,000 <sup>1/</sup>	\$253,755,000	\$ 9,800,000	\$132,045,000
ASU's School of Construction	ASU	\$ 16,000,000	\$ 16,000,000	\$ 0	\$ 0	\$ 16,000,000
Building Renewal/ New Construction	ASU	\$136,000,000	\$104,388,000	\$ 31,612,000	\$ 0	\$104,388,000
	NAU	136,000,000	64,785,000	71,215,000	71,215,000	136,000,000
	UA	<u>136,000,000</u>	<u>135,400,000</u>	<u>600,000</u>	<u>0</u>	<u>135,400,000</u>
<i>Subtotal</i>		<i>\$408,000,000</i>	<i>\$304,573,000</i>	<i>\$103,427,000</i>	<i>\$71,215,000</i>	<i>\$375,788,000</i>
<b>TOTAL</b>		<b>\$800,000,000</b>	<b>\$442,818,000</b>	<b>\$357,182,000</b>	<b>\$81,015,000</b>	<b>\$523,833,000</b>

<sup>1/</sup> Represents actual issuance amount. At its March 2010 meeting, JCCR only reviewed a UA issuance amount of \$121,126,000.

<sup>2/</sup> Planned issuance by end of FY 2014.

Table 2

University Lottery Bonding Projects <sup>1/</sup>

		<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Projected Lottery Revenue to UCI Fund <sup>2/</sup>		\$18,446,900	\$24,862,000	\$34,220,900	\$43,312,500	\$52,858,700
Building Renewal Projects						
Lottery Debt Service	80%	\$ 6,272,200	\$ 9,304,300	\$13,448,900	\$13,195,500	\$23,020,300
University Debt Service	20%	<u>1,568,100</u>	<u>2,326,100</u>	<u>3,362,200</u>	<u>3,298,900</u>	<u>5,755,100</u>
<b>Total Debt Service for \$194.3 M</b> <sup>3/</sup>		<b>\$ 7,840,300</b>	<b>\$11,630,400</b>	<b>\$16,811,100</b>	<b>\$16,494,400</b>	<b>\$28,775,400</b>
Phoenix Biomedical Campus						
Lottery Debt Service	80%	\$ 4,026,300	\$ 4,026,300	\$ 4,186,300	\$ 4,426,300	\$ 6,630,300
University Debt Service	20%	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,046,600</u>	<u>1,106,600</u>	<u>1,657,600</u>
<b>Total Debt Service for \$122.2 M</b> <sup>4/5/</sup>		<b>\$ 5,032,900</b>	<b>\$ 5,032,900</b>	<b>\$ 5,232,900</b>	<b>\$ 5,532,900</b>	<b>\$ 8,287,900</b>
ASU School of Construction						
Lottery Debt Service	80%			\$ 896,000	\$ 768,000	\$ 954,800
University Debt Service	20%			<u>224,000</u>	<u>192,000</u>	<u>238,700</u>
<b>Total Debt Service for \$16.0 M</b>				<b>\$ 1,120,000</b>	<b>\$ 960,000</b>	<b>\$ 1,193,500</b>
Total Lottery Share at 80% <sup>6/</sup>		\$10,298,500	\$13,330,600	\$18,531,200	\$18,389,800	\$30,605,400
Projected University Cost <sup>6/7/</sup>		\$ 2,574,700	\$ 3,332,700	\$ 4,632,800	\$ 4,597,500	\$ 7,651,400

<sup>1/</sup> Represents JCCR reviewed projects and planned FY 2013 and FY 2014 issuances not yet reviewed by JCCR.

<sup>2/</sup> Revenue estimates are based on a 5% annual increase in Lottery revenues. Represents that maximum amount of revenue available to the UCI Fund. UCI Fund revenues would not exceed the actual total lottery share of debt service in a given year. See Total Lottery share at 80% line.

<sup>3/</sup> In FY 2014, includes \$12,818,100 in debt service for projects that have been reviewed by JCCR through 2012 and \$3,993,000 in debt service for a projected issuance to fund a science building at NAU that has not yet been reviewed.

<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> In FY 2014, includes \$5,032,900 in debt service for projects that have been reviewed by JCCR through 2012 and \$200,000 in debt service for projected issuances that would fund a portion of UA's Phoenix Biomedical Campus that has not yet been reviewed.

<sup>6/</sup> The sum of Total Lottery Share at 80% and Projected University Cost represents the total debt service for the bond issuances. See the Capital Debt and Lease-Purchase section for more information.

<sup>7/</sup> Represents the 20% university share.

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

FY 2014  
 APPROVED

**LEASE-PURCHASE PAYMENTS\***

Arizona Department of Administration - 2010 Leaseback Financing	84,119,800
Phoenix Convention Center	20,449,000
<b>TOTAL - ALL PROJECTS</b>	<b>104,568,800</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	104,568,800
<b>TOTAL - ALL SOURCES</b>	<b>104,568,800</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 2014 for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6) and Laws 2010, 6<sup>th</sup> Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to enter into sale/lease-back agreements in FY 2010 for existing state-owned facilities, requiring the funds to be deposited to the General Fund to subsidize state operating expenses. ADOA sold the issuances in 2 series (January 2010 and June 2010) at an average tax-exempt interest rate ranging from 4.37% to 4.57%. These issuances range up to 20 years in period of time. (Please see the *Debt and Lease-Purchase Financing* narrative pages in the *FY 2013 Appropriations Report* for more information.)

Unless the state exceeds its working capital reserve (see below), the certificates are not subject to early repayment until FY 2020.

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.

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 2012, ADOA reported that the state ended FY 2012 with a working capital surplus of \$285.2 million. As discussed below, this surplus is required to be invested in tax-exempt securities during FY 2013.

If the working capital threshold is exceeded in a year during FY 2012 – FY 2014, the state is required to purchase tax-exempt securities to the extent that the balance exceeds 5%. The state is able to meet this requirement as part of its ongoing investment of the state’s operating fund balance, and as such these funds do not need to be appropriated for this specific purpose. These temporary investments are held throughout the fiscal year as long as the state’s cash balance (including the BSF) remains above the 5% threshold. However, the state may divest these funds as needed to meet budgeted expenditures.

Beginning with the working capital report for FY 2015 (published in mid-FY 2016 as required by statute), the state is required to commence the process of early payback of these issuances if its balance exceeds 5%. Given the timing of the required reporting, any FY 2015 surplus above the threshold would likely not have an impact until the FY 2017 budget. Once having commenced early payback, that process is irrevocable.

**Phoenix Convention Center**

The budget includes \$20,449,000 from the General Fund in FY 2014 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 2014 payment amount reflects this new payment schedule.

**State Debt Rating**

With both major credit rating agencies, Arizona has the 4<sup>th</sup> highest rating out of 10 possible levels (Standard & Poor’s: AA- and Moody’s: Aa3). In comparison to other states, only California and Illinois have a lower credit rating from both credit rating agencies. Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes. Both major agencies have a stable outlook for Arizona.

In adopting their credit ratings for Arizona, the major agencies have listed some of the following concerns: 1) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108; 2) continued economic weakness; and 3) concerns about the disposition of current short-term budget surpluses. While noting these challenges, the agencies also indicated Arizona’s comparably moderate debt levels and stabilized financial position as positive trends.

**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 2014 Payment</b>	<b>Lease Completion</b>
General Fund	\$ 3,083,800	FY 2028
Other Approp.	8,581,900	FY 2028
Non-Approp.	<u>1,235,200</u>	FY 2028
<b>Total</b>	<b>\$12,900,900</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 for more information.)*

The FY 2014 K-12 Education BRB authorizes (but does not require) SFB to enter into a refinancing agreement, provided that the agreement must: 1) reduce SFB lease-purchase payments by a combined total of at least \$4,000,000 in FY 2014 and FY 2015; and 2) not increase or decrease SFB lease-purchase payments in any other fiscal year by more than \$100,000. Any refinancing agreement would be subject to JCCR review.

A preliminary proposal would achieve savings of \$(900,000) in FY 2014 and \$(3,100,000) in FY 2015. Any refinance savings are subject to change given future market conditions, and as such, the appropriation for SFB New School Facilities debt service was not adjusted in the FY 2014 budget. Any savings would be reverted to the state General Fund at the end of the fiscal year.

In addition, all other lease-purchase payments and PLTO payments that are made from the General Fund are budgeted to increase by \$67,800 from the General Fund in FY 2014. *(Please see the Capital Outlay ADOA Building System narrative for more information.)*

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

**Bonding Summary**

The Arizona Board of Regents, on behalf of the universities; the Arizona Department of Transportation; and SFB have issued bonds to renovate, acquire, and construct facilities, as well as 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 2014 bond payment will be \$37,499,800. This results in the General Fund receiving \$(37,499,800) less in Lottery revenues in FY 2014.

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.)*

**Additional Legislation**

**Debt Retirement Reporting**

Laws 2013, Chapter 99 requires ADOA to report annually to the Legislature by December 1 on the potential costs and savings associated with the early repayment of outstanding General Fund long-term financing under current economic conditions. The report is to outline methods that produce the highest cost savings to the state in the following repayment increments: 1) \$50,000,000; 2) \$100,000,000; 3) \$150,000,000; and 4) \$200,000,000.

<b>Table 2</b>					
<b>Lease-Purchase and Bonding Summary</b>					
	<b>Overall Balance</b>	<b>GF Balance</b>	<b>Overall FY 14 Pymt.</b>	<b>FY 14 GF Pymt.</b>	<b>Retirement FY</b>
	<i>1/</i>	<i>1/</i>	<i>2/</i>	<i>2/</i>	
<b><u>Lease-Purchase Summary</u></b>					
<b><u>ADOA Building System</u></b>					
<b>2002A Issuance</b>					
Health Laboratory	\$ 16,795,000	\$ -	\$ 2,315,800	\$ -	FY23
<b>2002B Issuance</b>					
ADC Prison Expansions	\$ 13,995,000	\$ 13,995,000	\$ 3,182,300	\$ 3,182,300	FY19
<b>2008A Issuance</b>					
ADC 4,000 Prison Beds, Water, and Wastewater	\$ 167,555,000	\$ 167,555,000	\$ 16,709,400	\$ 16,709,400	FY23, 28
DHS Forensic Hospital	22,790,000	22,790,000	3,112,200	3,112,200	FY23
<i>Subtotal</i>	\$ 190,345,000	\$ 190,345,000	\$ 19,821,600	\$ 19,821,600	
<b>2010 A/B Issuance</b>					
Sale/Leaseback	\$ 925,615,000	\$ 925,615,000	\$ 84,119,800	\$ 84,119,800	FY30
<i>Subtotal - ADOA</i>	\$ 1,146,750,000	\$ 1,129,955,000	\$ 109,439,500	\$ 107,123,700	
<b><u>School Facilities Board</u></b>					
New School Construction - FY 2003 - FY 2005	\$ 423,140,000	\$ 423,140,000	\$ 101,878,800	\$ 101,878,800	FY20
New School Construction - FY 2008 - FY 2009	454,870,000	454,870,000	58,649,100	58,649,100	FY24
Qualified School Construction Bonds	79,909,400	79,909,400	11,187,300 <i>3/</i>	11,187,300 <i>3/</i>	FY28
2011 Refinance	58,785,000	58,785,000	2,449,800	2,449,800	FY20
<i>Subtotal - SFB</i>	\$ 1,016,704,400	\$ 1,016,704,400	\$ 174,165,000	\$ 174,165,000	
<b><u>ABOR Building System</u></b>					
Arizona State University	\$ 321,282,000	\$ 166,660,000	\$ 31,137,000	\$ 14,431,200	FY39
Northern Arizona University	64,090,000	64,090,000	5,893,100	5,893,100	FY31
University of Arizona	414,164,000	156,480,000	45,495,000	13,741,000	FY37
<i>Subtotal - ABOR</i>	\$ 799,536,000	\$ 387,230,000	\$ 82,525,100	\$ 34,065,300	
Phoenix Convention Center <i>4/5/</i>	\$ 260,124,300	\$ 260,124,300	\$ 20,449,000	\$ 20,449,000	FY44
<i>TOTAL - Lease-Purchase</i>	\$ 3,223,114,700	\$ 2,794,013,700	\$ 386,578,600	\$ 335,803,000	
<b><u>Bonding Summary</u></b>					
<b><u>School Facilities Board</u></b>					
<b>Deficiencies Correction:</b>					
Proposition 301	\$ 335,918,800	\$ -	\$ 64,134,500	\$ -	FY21
State Land Trust - FY 2004	82,880,000	0	24,246,100	0	FY18
<i>Subtotal - SFB</i>	\$ 418,798,800	\$ -	\$ 88,380,600	\$ -	
Department of Transportation	\$ 1,733,245,000 <i>6/</i>	\$ -	\$ 212,785,000 <i>7/</i>	\$ -	FY17 - 34

(Continued)

Table 2 (Cont'd)

	<u>Overall Balance</u>	<u>GF Balance</u>	<u>Overall FY 14 Pymt.</u>	<u>FY 14 GF Pymt.</u>	<u>Retirement FY</u>
	1/	1/	2/	2/	
<b><u>Bonding Summary</u></b>					
<b><u>ABOR Building System</u></b>					
Arizona State University	\$ 878,437,500	\$ -	\$ 85,051,800	\$ -	FY43
Northern Arizona University	276,820,000	0	27,741,300	0	FY41
University of Arizona	521,120,000	0	48,946,200	0	FY48
University Lottery Bond (SPEED)	510,100,000 8/	0	23,164,000	0	FY48
<i>Subtotal - ABOR</i>	\$ 2,186,477,500	\$ -	\$ 184,903,300	\$ -	
Lottery Revenue Bond 4/	\$ 391,185,000	\$ 391,185,000	\$ 37,499,800	\$ 37,499,800	FY30
<i>TOTAL - Bonding</i>	\$ 4,729,706,300	\$ 391,185,000	\$ 523,568,700	\$ 37,499,800	
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	<b>\$ 7,952,821,000</b>	<b>\$ 3,185,198,700</b>	<b>\$ 910,147,300</b>	<b>\$ 373,302,800</b>	

1/ Represents principal balances as of June 30, 2014. 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 14 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 2014, 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 2014 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

6/ Includes \$1,485,535,000 for Highway User Revenue Fund bonds and \$247,710,000 for Grant Anticipation Notes.

7/ Future debt service schedule is: FY 2015 - \$214,892,000; FY 2016 - \$206,900,000; FY 2017 - \$169,160,000; FY 2018 - \$169,159,000.

8/ Represents outstanding balance as of the end of FY 2014 from \$523,833,000 of University Lottery Bond Issuances. JCCR reviewed and planned issuance amounts for SPEED bonds are: 1) \$304,573,000 for building renewal and new construction projects favorably reviewed by JCCR in November 2008, February 2009, September 2011, October 2012 and December 2012 along with a planned future issuance of \$71,215,000 for a science building at NAU; 2) \$122,245,000 for Phase I of the Phoenix Biomedical Campus favorably reviewed by JCCR in March 2010, along with a planned future issuance of \$9,800,000 for the Phoenix Biomedical Campus; and 3) \$16,000,000 for the ASU School of Construction reviewed by JCCR in October 2012. These are the initial projects counted 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)