

**Capital Outlay**  
**Summary**

FY 2015  
APPROVED

**BUILDING RENEWAL**

ADOA Building System	26,561,700
ADOT Building System	3,396,800
ABOR Building System	3,000,000
<b>SUBTOTAL</b>	<b>32,958,500</b>

**INDIVIDUAL PROJECTS**

ADOA Building System	13,700,000
ADOT Building System	234,191,300
ABOR Building System	0
<b>SUBTOTAL</b>	<b>247,891,300</b>

**LEASE-PURCHASE PAYMENTS**

Lease-Purchase Obligations <sup>1/</sup>	104,572,700
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**TOTALS**

ADOA Building System	144,834,400
ADOT Building System	237,588,100
ABOR Building System	3,000,000
<b>TOTAL - ALL PROJECTS</b>	<b>385,422,500</b>

**FUND SOURCES**

General Fund	128,772,700
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
Arizona Exposition and State Fair Fund	1,000,000
Arizona Highway Patrol Fund	2,000,000
State Parks Revenue Fund	1,500,000
State Aviation Fund	20,217,200
State Highway Fund	217,370,900
State Lottery Fund	97,400
SUBTOTAL - Other Appropriated Funds	256,649,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>385,422,500</b>
Other Non-Appropriated Funds	564,857,000
Federal Funds	669,949,000
<b>TOTAL - ALL SOURCES</b>	<b>1,620,228,500</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 \$385,422,500 from Appropriated Funds in FY 2015. Of the total, \$128,772,700 is from the General Fund and \$256,649,800

<sup>1/</sup> This amount was appropriated by the FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 136 and Section 137). All other appropriations appear in the FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15).

**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 \$32,958,500 in FY 2015 for Building Renewal, which consists of \$15,000,000 from the General Fund and \$17,958,500 from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$18,000,000
General Fund/Capital Outlay	
Stabilization Fund	
@ 53.0% (non-ADC buildings)	
Department of Corrections	
General Fund/ADC Building	8,464,300
Renewal Fund @ 51.6% (ADC-only	
buildings)	
State Lottery Fund @ 100%	<u>97,400</u>
Subtotal - ADOA	\$26,561,700
Arizona Department of Transportation	
State Highway Fund @ 28.5%	\$ 3,191,900
State Aviation Fund @ 100%	<u>204,900</u>
Subtotal - ADOT	\$ 3,396,800
Arizona Board of Regents	
General Fund @ 2.8%	<u>3,000,000</u>
Subtotal - ABOR	\$ 3,000,000

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

**Individual Projects**

The budget includes total funding of \$247,891,300 in FY 2015 for individual capital projects, which consists of \$9,200,000 from the General Fund and \$238,691,300 from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

**Lease-Purchase Payments**

The budget includes \$104,572,700 from the General Fund in FY 2015 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 2015  
APPROVED

<b>BUILDING RENEWAL</b>	
Department of Administration <sup>1/</sup>	18,000,000
Arizona Lottery Commission	97,400
Department of Corrections <sup>2/</sup>	8,464,300
<b>SUBTOTAL</b> <sup>3/</sup>	<b>26,561,700</b>
<b>INDIVIDUAL PROJECTS</b> <sup>4/</sup>	
<b>Arizona Exposition and State Fair Board</b>	
Capital Improvements	1,000,000
<b>Arizona State Parks Board</b>	
Capital Improvements	1,500,000
<b>Department of Public Safety</b>	
Microwave Communications System Upgrade <sup>5/</sup>	2,000,000
<b>Department of Veterans' Services</b>	
Yuma Veterans' Home Construction <sup>6/7/</sup>	9,200,000
<b>SUBTOTAL</b>	<b>13,700,000</b>
<b>TOTAL – ALL PROJECTS</b>	<b>40,261,700</b>
<b>FUND SOURCES</b>	
General Fund	21,200,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
Arizona Exposition and State Fair Fund	1,000,000
Arizona Highway Patrol Fund	2,000,000
State Lottery Fund	97,400
State Parks Revenue Fund	1,500,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>19,061,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>40,261,700</b>
<b>TOTAL - ALL SOURCES</b> <sup>8/9/10/11/</sup>	<b>40,261,700</b>

**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. The following amounts for FY 2015 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

- <sup>1/</sup> The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund established by A.R.S. § 41-792.01 are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration is 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 2015 to 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 may 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 2015 that are unexpended or unencumbered on June 30, 2016 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- <sup>5/</sup> The Department of Public Safety shall submit an expenditure plan and project timeline to the Joint Committee on Capital Review for its review before expending any monies appropriated for the microwave communications system upgrade. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2014, Chapter 15 (FY 2015 Capital Outlay Bill).

### **Building Renewal**

The budget includes \$26,561,700 from the General Fund and Other Appropriated Funds in FY 2015 for Building Renewal within the ADOA Building System. This amount consists of:

- \$18,000,000 to ADOA, which consists of \$9,000,000 from the General Fund and \$9,000,000 from the Capital Outlay Stabilization Fund (COSF). This represents 53.0% of the non-Department of Corrections (ADC) building renewal formula. The FY 2014 allocation had represented 32.1% of the non-ADC formula.
- \$97,400 from the State Lottery Fund to the Arizona State Lottery Commission, which continues to fund 100% of the building renewal formula. The FY 2014 budget included \$90,300 from the State Lottery Fund, which also represented 100% of the agency's building renewal formula.
- \$8,464,300 to ADC for building renewal and preventative maintenance projects, which consists of \$3,000,000 from the General Fund and \$5,464,300 from the ADC Building Renewal Fund. This amount funds 51.6% of the ADC-only building renewal formula. The FY 2014 budget included \$5,000,000, which represented 33.3% 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 allocated 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, 2016.

### **Individual Projects**

#### **Arizona Exposition and State Fair Board**

##### **Capital Improvements**

The budget includes \$1,000,000 from the Arizona Exposition and State Fair Fund in FY 2015 for capital improvements.

#### **Arizona State Parks Board**

##### **Capital Improvements**

The budget includes \$1,500,000 from the State Parks Revenue Fund in FY 2015 for capital improvements in the State Park system.

#### **Department of Public Safety**

##### **Microwave Communications System Upgrade**

The budget includes \$2,000,000 from the Arizona Highway Patrol Fund in FY 2015 for the design, construction and implementation of the state microwave communications system upgrade.

DPS is currently in the process of updating the state's microwave radio system backbone from analog to digital technology which allows state agencies to communicate with officers in the field. There are 3 loops made up of many radio towers that comprise the microwave backbone, of which, the southern loop was completed in CY 2011. These monies will help to fund upgrades of the western and northern loops. The remaining cost for the completion of the western and northern loops is estimated at \$20,650,100.

The FY 2015 Capital Outlay Bill also requires DPS to submit an expenditure plan and project timeline to the Joint Committee on Capital Review regarding its plans for the microwave system upgrade prior to expenditure of any of the monies appropriated for this purpose.

#### **Department of Veterans' Services**

##### **Yuma Veterans' Home Construction**

The budget includes \$9,200,000 from the General Fund in FY 2015 for the construction of a new State Veterans' Home in Yuma.

<sup>6/</sup> The amount appropriated is intended to be this state's share of the costs, and is not subject to expenditure for any purpose unless the Department of Veterans' Services has irrevocable commitments from the United States government for funding at least sixty-five per cent of the total costs. (Capital Outlay Appropriation Act footnote)

<sup>7/</sup> This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (Capital Outlay Appropriation Act footnote)

<sup>8/</sup> Unless otherwise specified, the monies appropriated in this act may not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)

<sup>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> The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)

<sup>11/</sup> The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act 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 on or before December 31, 2014. (Capital Outlay Appropriation Act footnote)

The monies will be used to provide a 35% match for a U.S. Department of Veterans' Affairs construction grant. The FY 2015 Capital Bill mandates that expenditure of the funding is contingent on the receipt of Federal Funds which will cover the remaining 65% of the total project cost. Each year the federal government develops a construction grant priority list and once a state can fully supply 35% of funding, that state is placed on the construction grant list. The list is renewed each October, as the annual federal funding cycle runs from October 1 to September 30. The appropriated amount will allow the Arizona Yuma Veteran's Home to secure a higher priority spot on the federal construction grant list.

The Yuma home will be a 120-bed facility as outlined in federal law, which requires capacity to be based on a 10-year projection of demand for nursing home and domiciliary care by veterans in the state who are 65 years of age or older. In determining the projected demand, the Arizona Department of Veterans' Services must take into account travel distances for veterans and their families.

**Other Issues**

**Building Demolition**

The Budget Procedures BRB (Laws 2014, Chapter 14) allows ADOA to use monies appropriated for Building Renewal in FY 2015 for building demolition.

**Other Issues**

**COSF Rental Rate Change & Payment Adjustments**

The budget includes \$(188,600) net General Fund decrease in all lease-purchase and rental charges. In total funds, the net decrease is \$(334,900). The lease-purchase and rent changes include the following adjustments:

	<u>General Fund</u>	<u>Total Funds</u>
• Lease-Purchase	\$ 1,700,900	\$ 2,612,600
• PLTO	(1,889,500)	(2,951,200)
• Rent		
Adjustments	<u>0</u>	<u>3,700</u>
	\$ (188,600)	\$ (334,900)

**Lease-Purchase**

In FY 2015, lease-purchase payments will increase by \$2,612,600, of which \$1,700,900 is from the General Fund and \$911,700 from Other Appropriated Funds. This is largely the result of the recently refinanced Department of Health Services building being classified as lease-purchase, while it was previously financed under a privatized lease-to-own (PLTO) agreement. However, the overall net payment for the building will decline from the FY 2014 budgeted amount.

**Privatized-Lease-to-Own**

In FY 2015, PLTO payments will decrease by \$(2,951,200), of which \$(1,889,500) is from the General

Fund, \$(1,093,200) is from Other Appropriated Funds, and \$31,500 is from Non-Appropriated Funds. This is largely the result of the recently refinanced Department of Health Services building being classified as lease-purchase, while it was previously financed under a PLTO agreement. However, the overall net payment for the building will decline from the FY 2014 budgeted amount.

**Rent Adjustments**

The budget funds an FY 2015 rent adjustment for the State Board of Psychologist Examiners, which received a partial rent exemption for FY 2014 in the amount of \$3,700.

In addition, the budget includes an updated Summary of Rent Charges, which reflects updated space utilization amounts when applying the current rental rates (Office - \$13.08 per sq. ft./Storage - \$4.74 per sq. ft.). Any change in rental charges beyond the State Board of Psychologist Examiners adjustment would be funded from existing agency appropriations and would have no corresponding change in agency funding levels. (Please see Summary of Rent Charges for additional information.)

## FY 2015 CHANGE IN LEASE-PURCHASE AND RENT PAYMENTS - DETAIL BY AGENCY

Agency	Lease-Purchase 1/				PLTO 1/				Rent 2/				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Accountancy, State Board of					0	2,700	0	2,700					0	2,700	0	2,700
Administration, AZ Dept. of 3/	3,900			3,900	20,400	52,600	5,500	78,500					24,300	52,600	5,500	82,400
Corrections, Arizona Department of	(95,200)	0	0	(95,200)									(95,200)	0	0	(95,200)
Criminal Justice Commission, Arizona					0	300	4,300	4,600					0	300	4,300	4,600
Deaf and Hard of Hearing, Commission for the					0	5,200	0	5,200					0	5,200	0	5,200
Environmental Quality, Department of					0	98,400	0	98,400					0	98,400	0	98,400
Environmental Quality, Department of - WIFA					0	0	2,800	2,800					0	0	2,800	2,800
Equalization, State Board of					2,100	0	0	2,100					2,100	0	0	2,100
Fire, Building and Life Safety, Dept. of					3,600	0	1,300	4,900					3,600	0	1,300	4,900
Forester, State					2,700	0	0	2,700					2,700	0	0	2,700
Gaming, Dept. of					0	15,200	0	15,200					0	15,200	0	15,200
Health Services, Dept. of	1,792,200	911,700	0	2,703,900	(1,919,100)	(1,279,500)	0	(3,198,600)					(126,900)	(367,800)	0	(494,700)
Housing, Dept. of					0	700	11,600	12,300					0	700	11,600	12,300
Insurance, Dept. of					0	0	1,400	1,400					0	0	1,400	1,400
Psychologist Examiners, State Board of										3,700		3,700	0	3,700	0	3,700
Racing, AZ Dept. of					0	3,800	0	3,800					0	3,800	0	3,800
Residential Utility Consumer Office					0	2,900	0	2,900					0	2,900	0	2,900
Tax Appeals, State Board of					800	0	0	800					800	0	0	800
Technical Registration, State Board of					0	4,500	0	4,500					0	4,500	0	4,500
Tourism, Office of					0	0	4,600	4,600					0	0	4,600	4,600
<b>TOTAL</b>	<b>\$1,700,900</b>	<b>\$911,700</b>	<b>\$0</b>	<b>\$2,612,600</b>	<b>(\$1,889,500)</b>	<b>(\$1,093,200)</b>	<b>\$31,500</b>	<b>(\$2,951,200)</b>	<b>\$0</b>	<b>\$3,700</b>	<b>\$0</b>	<b>\$3,700</b>	<b>(\$188,600)</b>	<b>(\$177,800)</b>	<b>\$31,500</b>	<b>(\$334,900)</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.

2/ The budget includes a change in rent funding for the State Board of Psychologist Examiners, which received a partial rent exemption for FY 2014 in the amount of \$3,700, as recommended by JCCR at its October 2013 meeting. In addition, the budget includes an updated Summary of Rent Charges, which reflects the most recent space utilization report from ADOA when applying the current rental rates (Office - \$13.08 per sq. ft./Storage - \$4.74 per sq. ft.) Any change in rental charges beyond those displayed above would be funded from existing agency appropriations and would have no corresponding change in agency funding levels.

3/ The Department of Administration lease-purchase adjustment reflects the existing payment schedule for the state building sale/leaseback agreement. As such, this change would not be reflected in the ADOA operating budget.

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

FY 2015  
 APPROVED

<b>BUILDING RENEWAL</b>	
ADOT Building Renewal <sup>1/</sup>	3,396,800
<b>SUBTOTAL</b>	<b>3,396,800</b>
<b>INDIVIDUAL PROJECTS <sup>2/</sup></b>	
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>	20,012,300
Statewide Highway Construction <sup>6/7/</sup>	208,899,000
<b>SUBTOTAL</b>	<b>234,191,300</b>
<b>TOTAL - ALL PROJECTS <sup>8/9/10/11/</sup></b>	<b>237,588,100</b>
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<b>FUND SOURCES</b>	
<u>Other Appropriated Funds</u>	
State Aviation Fund	20,217,200
State Highway Fund	217,370,900
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>237,588,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>237,588,100</b>
Other Non-Appropriated Funds	564,857,000
Federal Funds	669,949,000
<b>TOTAL - ALL SOURCES</b>	<b>1,472,394,100</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 2015 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 2015 that are unexpended or unencumbered on June 30, 2016 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 5 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 established by A.R.S. § 28-8202 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 established by A.R.S. § 28-6991 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 shall report on or before November 1, 2014 to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report must be in the same format as in the prior year unless modifications have been approved by the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (Capital Outlay Appropriation Act footnote)
- <sup>8/</sup> Unless otherwise specified, the monies appropriated in this act may 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 2014, Chapter 15 (FY 2015 Capital Outlay Bill).

### **Building Renewal**

The budget includes \$3,396,800 in FY 2015 for Building Renewal within ADOT's Building System. This amount consists of \$3,191,900 from the State Highway Fund (SHF) and \$204,900 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 2015 for ADOT to construct 5 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 different areas throughout the state 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 \$456,000. ADOT was appropriated \$2,280,000 in FY 2014 for 6 de-icer buildings, but the appropriation was only sufficient to construct 5 buildings.

#### **Vehicle Wash Systems**

The budget includes \$3,000,000 from SHF in FY 2015 for ADOT to construct new vehicle wash systems at 6 highway maintenance sites statewide. 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. ADOT was also appropriated \$3,000,000 in FY 2014 for 6 vehicle wash buildings.

#### **Airport Planning and Development**

The budget includes \$20,012,300 from the State Aviation Fund (SAF) in FY 2015 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 2015 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 \$208,899,000 from SHF in FY 2015 for controlled access, debt service on bonds, and new construction. A footnote in the FY 2015 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 \$84,426,000 from SHF in FY 2015. Please see *Table 6* for the HURF distribution analysis, which shows that after implementing statewide adjustments \$84,425,000 of net SHF monies will be available for controlled access in FY 2015 rather than \$84,426,000. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

#### **Debt Service**

The budget includes \$111,075,000 from SHF in FY 2015 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,614,680,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2015 debt service payments. (*Please see Table 4 for more information on debt service.*)

#### **New Construction**

The budget includes \$13,398,000 from SHF in FY 2015 for highway construction. Highway construction monies represent the amount that is available for the discretionary

9/ 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)

10/ On or before November 1, 2014, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2016 and the estimated debt service payment amount for FY 2016 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This report must include State Highway Fund statewide construction bonds, Arizona 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 2015 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

11/ On or before November 1, 2014, the Department of Transportation shall report capital outlay information for FY 2014, FY 2015 and FY 2016 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 and 6, as found in the *FY 2014 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

SHF to fund the State Transportation Board's 5-year plan after all other allocations have been made. *Table 6* displays the HURF distribution analysis, which shows that after implementing statewide adjustments, \$13,310,000 of net SHF monies will be available for statewide highway construction in FY 2015 rather than \$13,398,000. (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.

	<u>Capital Outlay Bill</u>
Controlled Access	\$ 84,426,000
Debt Service	111,075,000
Highway Construction	<u>13,398,000</u>
<b>Total</b>	<b>\$208,899,000</b>

As noted in the HURF distribution table (please see *Table 6*), an additional amount of \$284,831,000 from unspent FY 2014 State Highway Fund monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2015.

#### Summary of Non-Appropriated Capital Funds

*Table 2* provides a summary of non-appropriated capital expenditures. Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2015 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

	<u>FY 2013</u> <u>Actual</u>	<u>FY 2014</u> <u>Estimate</u>	<u>FY 2015</u> <u>Estimate</u>
Aviation Federal Funds	\$ 404	\$ 1,275	\$ 1,600
Federal Grants	<u>685,310</u>	<u>668,349</u>	<u>668,349</u>
<b>Subtotal - Federal Funds</b>	<b>\$685,714</b>	<b>\$ 669,624</b>	<b>\$ 669,949</b>
Economic Strength Project Fund	\$ 1,000	\$ 1,000	\$ 1,000
Highway Expansion and Extension Loan Program Fund	0	6,250	43,750
Local Agency Deposits Fund	104,913	100,000	100,000
Maricopa Regional Area Road Fund	216,729	542,463	420,107
<b>Subtotal - Other Non-Appropriated Funds</b>	<b>\$ 322,642</b>	<b>\$ 649,713</b>	<b>\$ 564,857</b>
<b>Total</b>	<b>\$1,008,356</b>	<b>\$1,319,337</b>	<b>\$1,234,806</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 25, 2013 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 \$1,044,722,000 for FY 2015. (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. The budget provides \$208,899,000 for highway construction, including \$13,398,000 of net SHF monies for statewide highway construction. In *Table 6*, this amount is adjusted to \$13,310,000 due to statewide adjustments.

*Table 4* summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2013 through FY 2015, 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 only shows the total dollar cost of highway projects scheduled to begin in FY 2015 by category of construction. *Table 4* also includes monies from the Local Agency Deposits Fund, while *Table 3* does not.

#### Table 3 Highway Construction Projects Beginning in FY 2015 (\$ in Thousands)

	<u>FY 2015</u> <sup>1/</sup>
Construction	\$ 97,625
Urban Controlled Access <sup>2/</sup>	606,475
Pavement Preservation Maintenance	271,756
Other <sup>3/</sup>	<u>68,866</u>
<b>Total</b>	<b>\$1,044,722</b>

<sup>1/</sup> Data from ADOT's 2014-2018 5-Year Transportation Facilities Construction Program.

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

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

For FY 2013, *Table 4* shows that total cash highway construction expenditures were \$1,018,500,000, while \$286,000,000 was spent on debt service. In FY 2014, total estimated cash highway construction expenditures are \$1,393,900,000 with total debt service of \$305,400,000. In FY 2015, total estimated cash highway construction expenditures are \$1,404,300,000 with total debt service of \$307,500,000. The major sources of highway construction funding are SHF, Federal Aid, the half-cent sales tax in Maricopa County (MRARF), bond proceeds, and the Local Agency Deposits Fund. The Local Agency Deposits Fund

Table 4

**Highway Construction and Debt Service Expenditures by Fund Source**  
(\$ in Millions)

<u>Sources</u>	<u>FY 2013</u> <u>Actual</u>	<u>FY 2014</u> <u>Estimate</u>	<u>FY 2015</u> <u>Estimate</u>
<b>State Highway Fund (SHF)</b>			
<i>Appropriated</i>			
HURF - Statewide Debt Service	\$ 102.5	\$ 112.3	\$ 111.1
HURF - MAG Debt Service	25.2	26.7	27.9
MAG/PAG 15.2% Controlled Access - Construction Expenditures	30.8	33.5	129.8
Net SHF Funds Available for Statewide Highway Construction Expenditures	0.9	12.3	13.3
<b>Total SHF - Appropriated</b>	<b>\$ 159.4</b>	<b>\$ 184.8</b>	<b>\$ 282.1</b>
<i>Non-Appropriated</i>			
SHF Highway Construction <u>1/</u>	\$ -	\$ 3.4	\$ 31.3
<b>Total SHF - Non-Appropriated</b>	<b>\$ -</b>	<b>\$ 3.4</b>	<b>\$ 31.3</b>
<b>Total SHF Highway Construction Expenditures</b>	<b>\$ 159.4</b>	<b>\$ 188.2</b>	<b>\$ 313.4</b>
<b>Federal Aid</b>			
<b>Total Federal Aid Highway Construction Expenditures</b>	<b>\$ 826.3</b>	<b>\$ 823.0</b>	<b>\$ 823.0</b>
<b>Maricopa Regional Area Road Fund</b>			
Highway Construction Expenditures	\$ 13.6	\$ 373.4	\$ 239.3
MRARF Debt Service	103.2	103.6	103.6
<b>Total Maricopa Regional Area Road Fund Highway Construction Expenditures</b>	<b>\$ 116.8</b>	<b>\$ 477.0</b>	<b>\$ 342.9</b>
<b>Bond Proceeds</b>			
HURF - Highway Construction Expenditures	\$ 25.8	\$ 62.7	\$ 218.8
MRARF - Highway Construction Expenditures	117.9	98.6	11.7
GAN - Highway Construction Expenditures	55.9	47.8	-
<b>Total Bond Proceeds Highway Construction Expenditures</b>	<b>\$ 199.6</b>	<b>\$ 209.1</b>	<b>\$ 230.5</b>
<b>Local Agency Deposits Fund</b>			
Local Agency Deposits Fund Highway Construction Expenditures (Non-Federal)	\$ 2.4	\$ 2.0	\$ 2.0
<b>Total Local Agency Deposits Fund Highway Construction Expenditures</b>	<b>\$ 2.4</b>	<b>\$ 2.0</b>	<b>\$ 2.0</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,304.5</b>	<b>\$ 1,699.3</b>	<b>\$ 1,711.8</b>
<b>Total Debt Service</b>			
SHF	\$ 127.7	\$ 139.0	\$ 139.0
Federal Aid	55.1	62.8	64.9
MRARF	103.2	103.6	103.6
<b>Total Debt Service</b>	<b>\$ 286.0</b>	<b>\$ 305.4</b>	<b>\$ 307.5 <u>2/</u></b>
<b>Total Cash Highway Construction Expenditures</b>			
SHF	\$ 31.7	\$ 49.2	\$ 174.4
Federal Aid	771.2	760.2	758.1
MRARF	13.6	373.4	239.3
Bond Proceeds	199.6	209.1	230.5
Local Agency Deposits Fund	2.4	2.0	2.0
<b>Total Cash Highway Construction Expenditures</b>	<b>\$ 1,018.5</b>	<b>\$ 1,393.9</b>	<b>\$ 1,404.3</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,304.5</b>	<b>\$ 1,699.3</b>	<b>\$ 1,711.8</b>

1/ Includes funding from STAN.

2/ Information provided by the department. Includes \$138,978,000 for HURF bonds (\$111,075,000 for statewide program and \$27,903,000 MAG program); \$64,895,000 for Grant Anticipation Notes; and \$103,593,000 for MRARF bonds as of June 30, 2013.

receives monies from the federal government and local agencies for the payment of local agency sponsored county secondary road construction projects.

Table 4 does not include highway maintenance spending of \$141,830,000 in FY 2013, \$146,800,000 in FY 2014, and \$144,900,000 in FY 2015. Of the \$307,500,000 total debt service amount in Table 4, only \$111,075,000 is appropriated.

**Highway User Revenue Fund Analysis**

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (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 2013 through FY 2015. The line in Table 6 showing Net SHF Available for Statewide Highway Construction, which totals \$13,310,000 for FY 2015, 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 2013 HURF collections of \$1,210,024,000 were (0.1)% below FY 2012. HURF collections have been \$1.2 billion for the past 3 fiscal years. As of April 2014, HURF year-to-date collections were 2.8% higher than the prior year. The Baseline projections used in Table 6, however, assume a 1.0% increase in total HURF revenue collections in both FY 2014 and FY 2015. Based on the FY 2014 year-to-date trend, HURF collections in FY 2014 and FY 2015 will be \$21.8 million and \$44.4 million above the Baseline estimates, respectively.

Decreased HURF collections in FY 2013 were due to revenue loss in all major HURF revenue categories with the exception of VLT. VLT revenue increased 1.7% from FY 2012 because of growth in the number of brand new car and new-to-state vehicle purchase registrations. Gas tax collections declined (0.2)% over the prior fiscal year, while registration revenues decreased (0.2)%. Decreased commercial trucking, due to a lowered demand for goods, led to declines of (1.7)% and (0.1)% in the use fuel tax (diesel) and the motor carrier fee, respectively.

The FY 2015 Revenue Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 9) requires, as session law, \$30 million of HURF revenues in both FY 2015 and FY 2016 and \$60 million of HURF revenues in FY 2017 to be allocated directly to counties cities and towns in percentages reflecting the current non-state distribution of HURF revenues. The language specifies that these HURF revenues may only be spent on direct construction/repair and right-of-way expenditures. These additional HURF monies are due to a reduction of an equal amount of HURF

in the Department of Public Safety (DPS) budget; the General Fund replaced the reduced HURF funding in the DPS budget. (Please see Table 6 for the amounts of HURF revenue distributed to local governments under this provision.)

Due to Laws 2013, Chapter 244, \$9,974,900 from the Underground Storage Tank (UST) Tax has been deposited in SHF as of May for FY 2014. The FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14) eliminates the deposit of UST Tax collection in SHF effective January 1, 2015. After that date, revenues will again be deposited into the Department of Environmental Quality’s Regulated Substance Fund.

In FY 2013, UST Tax collections were \$29.0 million. Assuming similar collections in FY 2015, SHF would receive the UST Tax collections for half of FY 2015 equaling \$14.5 million. (Please see the Department of Environmental Quality’s narrative for more details.)

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% displayed in the table above). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Table 6

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

	<b>FY 2013</b> <b>Actual</b>	<b>FY 2014</b> <b>Estimate</b>	<b>FY 2015</b> <b>Estimate</b>
<b>Total HURF Collections</b>	\$1,210,024	\$1,222,124	\$1,234,345
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program <sup>2/</sup>	625	652	652
Reversion from MVD Operations <sup>3/</sup>	(765)	0	0
Automation Projects Fund	0	5	0
Dept. of Public Safety Transfer from HURF <sup>4/</sup>	119,873	119,247	89,255
Cities <sup>5/</sup>	0	0	16,003
Counties <sup>5/</sup>	0	0	9,969
Controlled Access <sup>5/</sup>	0	0	4,028
<b>Net HURF Collections</b>	<b>\$1,089,291</b>	<b>\$1,101,220</b>	<b>\$1,113,438</b>
Less: Cities <sup>6/</sup>	332,234	335,872	339,599
Counties <sup>6/</sup>	206,965	209,232	211,553
VLT Transfer to Parity Compensation Fund <sup>7/</sup>	2,447	2,561	2,657
VLT Transfer to General Fund (5-Year VLT) <sup>8/</sup>	1,048	1,000	1,000
VLT Transfer to General Fund (Abandoned Vehicle) <sup>9/</sup>	3,155	3,200	3,200
Controlled Access <sup>10/</sup>	82,603	83,502	84,425
<b>Net SHF (Discretionary)</b>	<b>\$ 460,839</b>	<b>\$ 465,853</b>	<b>\$ 471,004</b>
Plus: Other Income <sup>11/</sup>	32,091	31,144	31,161
Less: Operating Budget <sup>12/</sup>	335,809	337,323	340,870
Dept of Public Safety Transfer from Highway Fund <sup>13/</sup>	6,780	6,744	6,744
Operating Carryovers, Adjustments and Transfers <sup>14/</sup>	5	5	5
Capital Outlay and Building Renewal	793	8,280	8,472
Motor Vehicle Third Party Payments <sup>15/</sup>	19,696	20,152	21,689
Debt Service <sup>16/</sup>	110,223	112,237	111,075
<b>Net SHF Available for Statewide Highway Construction (5-Year Plan) <sup>17/</sup></b>	<b>\$ 19,624</b>	<b>\$ 12,256</b>	<b>\$ 13,310</b>
<b>SHF Adjustments</b>			
Plus: Controlled Access SHF Beginning Balance	196,340	223,176	249,654
STAN Account Beginning Balance	37,995	38,266	35,177
<b>Total SHF Available for Statewide Highway Construction <sup>18/</sup></b>	<b>\$ 253,959</b>	<b>\$ 273,698</b>	<b>\$ 298,141</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 2014 General Appropriation Act (GAA) amount of \$651,500 includes \$(400) for statewide adjustments and \$26,300 for the retention payment. The FY 2015 GAA amount of \$651,800 includes \$300 for statewide adjustments.

<sup>3/</sup> The FY 2012 GAA shifted the funding for the Motor Vehicle Division (MVD) from SHF to HURF. The FY 2013 GAA shifted the funding for MVD back to SHF.

<sup>4/</sup> The FY 2014 GAA amount of \$119,247,100 includes \$719,800 for statewide adjustments and \$5,900 for the retention payment. The FY 2015 GAA amount of \$89,255,000 includes \$7,900 for statewide adjustments.

<sup>5/</sup> The Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) requires, as session law, \$30 million of HURF revenues in both FY 2015 and FY 2016 and \$60 million of HURF revenues in FY 2017 to be allocated directly to counties and cities and towns in percentages reflecting current non-state distribution of HURF revenues. The legislation also specifies that those revenues may only be spent on direct construction/repair and right-of-way expenditures. These additional HURF monies are due to a reduction in those funds in the Department of Public Safety budget.

<sup>6/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways. (See also footnote 5.)

<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> A.R.S. § 28-5808E transfers the 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> A.R.S. § 28-5808D also transfers the SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4802A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

<sup>10/</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>11/</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. The FY 2013 amount of \$32,091,000 includes \$31,466,000 in miscellaneous revenue and \$625,000 for the Registration Compliance program. The FY 2014 estimate of \$31,143,500 includes \$30,492,000 in miscellaneous revenue and \$651,500 for the Registration Compliance program. The FY 2015 estimate of \$31,160,800 includes \$30,509,000 in miscellaneous revenue and \$651,800 for the Registration Compliance program.

<sup>12/</sup> The FY 2014 GAA amount of \$337,323,200 includes \$(295,400) in statewide adjustments, \$5,410,800 for the retention payment. The FY 2015 GAA amount of \$340,869,900 includes \$3,461,900 for new lane miles and \$84,800 for statewide adjustments.

<sup>13/</sup> The FY 2014 GAA amount of \$6,743,800 includes \$(36,200) in statewide adjustments. The FY 2015 GAA amount of \$6,743,900 includes \$100 for statewide adjustments.

<sup>14/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>15/</sup> Statutory payments to third parties from VLT collected by third parties.

<sup>16/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>17/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

<sup>18/</sup> Numbers may not add due to rounding.

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

FY 2015  
 APPROVED

**BUILDING RENEWAL**

Arizona Board of Regents

3,000,000<sup>1/</sup>

**TOTAL**

**3,000,000**

**FUND SOURCES**

General Fund

3,000,000

**TOTAL - ALL SOURCES**

**3,000,000**

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

**Building Renewal**

The budget includes \$3,000,000 from the General Fund in FY 2015 for Building Renewal within the ABOR Building System. This amount funds 2.8% of the building renewal formula. ABOR is responsible for allocating the monies to the 3 state universities.

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. .

**Lease-Purchase Projects**

In FY 2015, ABOR is projected to have \$757,552,000 in outstanding lease-purchase balances, with an overall debt service payment of \$76,509,800. The General Fund share of the debt service is \$29,073,500. The General Fund share receives an annual appropriation of \$34,625,000, but the actual debt service will be \$(5,590,900) below this amount in FY 2015 due to refinancing Certificates of Participation. (See the ABOR operating section for additional information on universitywide refinance savings.) According to ABOR, savings from this refinancing is estimated to result in excess appropriations of \$(25,984,500), of which a significant portion will occur in FY 2015 - FY 2017. (See Capital Outlay - Debt and Lease-Purchase Financing for more information.)

**Bonding**

In FY 2015, ABOR is projected to have \$2,143,740,000 in outstanding bond balances, including both system revenue and Lottery bonds. The projected debt service is \$171,118,200. (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 initially 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.
- The Committee favorably reviewed \$32,388,000 in September 2011 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

<sup>1/</sup> The Arizona Board of Regents shall require each university to establish a major maintenance and repair account for deposit of amounts allocated by the board to the university from the appropriation made in this subsection. Amounts deposited in this account may be used only for the purposes provided in Subsection A of this section. (Capital Outlay Appropriation Act footnote)

renewal projects, of which \$35,000,000 was issued in January 2013, with the remaining \$3,000,000 issued in May 2014.

- 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.
- In April 2013, the Committee favorably reviewed \$71,215,000 for Northern Arizona University (NAU) for a new construction project at its Flagstaff campus, which was partially paid in cash, and issued in June 2013.

Additionally, in August 2013, the Committee favorably reviewed \$33,265,000 for ASU building renewal projects, which were issued May 2014.

As a result of these actions, the 407,400,000 has been favorably reviewed by JCCR. Of this amount, \$394,850,000 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 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. 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, \$563,545,000 of the Chapter 287 authority has been reviewed (*see Table 1*). Of that amount, \$524,615,000 has been issued. An

additional \$24,555,000 has been reviewed by the Committee and is planned to be issued by the end of FY 2015. At this time, a total of \$250,830,000 in remaining authority is available for university lottery bonding projects, including \$237,680,000 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 \$524,615,000 of total issuances will result in a total debt service payment of \$24,359,600 in FY 2015.

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 \$44,924,100 in FY 2015. Since the maximum 80% Lottery portion of the debt service is expected to be only \$19,487,700 in FY 2015, the remaining \$25,436,400 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is \$4,871,900 in FY 2015.

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.

<b>University Issuances</b>						
<b>Purpose</b>	<b>University</b>	<b>Statutory Distribution</b>	<b>Reviewed Issuance</b>	<b>Actual Issuance</b>	<b>Remaining Authority</b>	<b>Planned Issuance</b> <sup>1/</sup>
Phoenix Biomedical Campus	UA	\$360,960,000	\$132,045,000	\$130,845,000	\$230,115,000	\$ 0
	NAU	15,040,000	8,100,000	7,475,000	7,565,000	0
ASU's School of Construction	ASU	16,000,000	16,000,000	16,000,000	0	0
Building Renewal/ New Construction	ASU	136,000,000	136,000,000	111,445,000	0	24,555,000
	NAU	136,000,000	136,000,000	132,500,000	3,500,000	0
	UA	<u>136,000,000</u>	<u>135,400,000</u>	<u>126,350,000</u>	<u>9,650,000</u>	<u>0</u>
<i>Subtotal</i>		<i>408,000,000</i>	<i>407,400,000</i>	<i>370,295,000</i>	<i>13,150,000</i>	<i>0</i>
<b>TOTAL</b>		<b>\$800,000,000</b>	<b>\$563,545,000</b>	<b>\$524,615,000</b>	<b>\$250,830,000</b>	<b>\$ 24,555,000</b>

<sup>1/</sup> Planned issuances by end of FY 2015.

<b>University Lottery Bonding Projects</b> <sup>1/</sup>						
		<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Projected Lottery Revenue to UCI Fund <sup>2/</sup>		\$28,268,400	\$34,167,500	\$44,924,100	\$54,186,000	\$63,909,200
Building Renewal Projects						
Lottery Debt Service	80%	\$ 6,484,900	\$ 13,645,000	\$14,241,500	\$24,528,500	\$24,639,500
University Debt Service	20%	<u>1,621,300</u>	<u>3,411,300</u>	<u>3,560,400</u>	<u>6,132,200</u>	<u>6,159,900</u>
<b>Total Debt Service for \$370.3 M</b> <sup>3/</sup>		<b>\$ 8,106,200</b>	<b>\$17,056,300</b>	<b>\$17,801,900</b>	<b>\$30,660,700</b>	<b>\$30,799,400</b>
Phoenix Biomedical Campus						
Lottery Debt Service	80%	\$ 4,120,600	\$ 4,725,900	\$ 4,637,000	\$ 6,703,100	\$ 6,636,100
University Debt Service	20%	<u>1,030,100</u>	<u>1,181,500</u>	<u>1,159,300</u>	<u>1,675,800</u>	<u>1,659,000</u>
<b>Total Debt Service for \$138.3 M</b> <sup>4/5/</sup>		<b>\$ 5,150,700</b>	<b>\$ 5,907,400</b>	<b>\$ 5,796,300</b>	<b>\$ 8,378,900</b>	<b>\$ 8,295,100</b>
ASU School of Construction						
Lottery Debt Service	80%		\$ 388,900	\$ 609,200	\$ 817,500	\$ 782,700
University Debt Service	20%		<u>97,200</u>	<u>152,200</u>	<u>204,400</u>	<u>195,700</u>
<b>Total Debt Service for \$16.0 M</b>			<b>\$ 486,100</b>	<b>\$ 761,400</b>	<b>\$ 1,021,900</b>	<b>\$ 978,400</b>
Total Lottery Share at 80% <sup>6/</sup>		\$10,605,500	\$18,759,800	\$19,487,700	\$32,049,100	\$32,058,300
Projected University Cost <sup>7/</sup>		\$ 2,651,400	\$ 4,690,000	\$ 4,871,900	\$ 8,012,400	\$ 8,014,600

<sup>1/</sup> Represents JCCR reviewed projects and planned FY 2014 and FY 2015 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 2015, includes \$12,818,100 in debt service for projects that have been reviewed by JCCR through 2013.  
<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 2015, includes \$4,871,900 in debt service for projects that have been reviewed by JCCR through 2013.  
<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 2015  
 APPROVED

**LEASE-PURCHASE PAYMENTS\***

Arizona Department of Administration - 2010 Leaseback Financing	84,123,700
Phoenix Convention Center	20,449,000
<b>TOTAL - ALL PROJECTS</b>	<b>104,572,700</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	104,572,700
<b>TOTAL - ALL SOURCES</b>	<b>104,572,700</b>

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

**Debt Financed Projects**

**2010 Leaseback Financing**

The budget includes \$84,123,700 from the General Fund in FY 2015 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%, with an effective yield of approximately 4%. These issuances range up to 20 years in period of time, however, optional prepayment by the state is prohibited by the agreements until FY 2020. (Please see the Debt and Lease-Purchase Financing narrative pages in the FY 2013 Appropriations Report for more information.)

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 agree to either of the following requirements:

- Working Capital Surplus Limitation – Limits the state’s total cash reserve to the lesser of the following amounts: 1) A calculation of cash reserves for a fixed 3-year period before the issuance occurred; or 2) 5% of General Fund spending for that fiscal year. The state’s cash reserve is defined as: the General Fund, the Budget Stabilization Fund (BSF), and monies in certain Department of Revenue clearing accounts. During FY 2012 – FY 2014 excess cash balances were to be used

to purchase tax-exempt securities on a temporary basis. Beginning with the FY 2015 balance, excess cash balances would be used for mandatory retirement of the tax-exempt financing, which would occur in FY 2017. The mandatory repayment requirements would have superseded the existing FY 2020 prepayment restriction contained in the financing agreements.

- Investment Yield Restriction – Limits the investment return on the state’s operating balance to the interest rate paid on the outstanding tax-exempt financing (approximately 4%). The state would be required to restrict the yield on investments with a value equal to the current level of outstanding financing – which at the end of FY 2015 is expected to be \$1.26 billion. The yield restriction exists for the entire term of the operating financing.

When the financing was originally issued, the state agreed to the Working Capital Surplus limitation. A.R.S. § 41-707 requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting this requirement. In January 2014, ADOA reported that the state ended FY 2013 with a working capital surplus of \$995.4 million. As discussed previously, this surplus was invested in tax-exempt securities during FY 2014.

Given concerns about the potential for the mandatory repayment requirements, which would be determined by ending balances in FY 2015 and each year thereafter, in May 2014 the Executive opted to covert to the Investment Yield Restriction. The selection of this limitation is irrevocable for the duration of the financing.

Because the state is no longer subject to the mandatory repayment requirements of the Working Capital Surplus Limitation, the operating financing is not subject to prepayment by the state until FY 2020.

### Phoenix Convention Center

The budget includes \$20,449,000 from the General Fund in FY 2015 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 2015 payment amount reflects this new payment schedule.

Statute requires the Auditor General to conduct or contract for an economic and fiscal impact analysis of the expansion project. The study will be conducted in 2014 and will estimate how amounts of General Fund revenues resulting from the expansion compare to debt service payments made by the state since the project's 2009 completion. If the study finds that debt service payments exceeded General Fund revenues, the state will reduce its debt service payments to the City of Phoenix by the shortfall amount. Each year thereafter, the Auditor General is required to update the study's estimate.

### State Debt Rating

With both major credit rating agencies, Arizona has the fourth highest rating out of 10 possible levels (Standard & Poor's: AA- and Moody's: Aa3). In comparison to other states, only New Jersey, California and Illinois have a lower Standard & Poor's (S&P) credit rating, while 2 states share a similar S&P credit rating as Arizona (Kentucky and Michigan). Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes. As of December 2013, both major agencies have a positive 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 currently has PLTO agreements with private entities for 2 office buildings on the Capitol Mall. The 2 buildings house ADOA and the Department of

Environmental Quality. *Table 1* provides information on current lease-to-own agreements.

<b>Fund Type</b>	<b>FY 2015 Payment</b>	<b>Lease Completion</b>
General Fund	\$1,194,300	FY 2028
Other Approp.	7,488,700	FY 2028
Non-Approp.	<u>1,266,700</u>	FY 2028
<b>Total</b>	<b>\$9,949,700</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 K-12 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 (Laws 2013, 1<sup>st</sup> Special Session, Chapter 3) authorized 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.

SFB's first proposed refinance under the authority in Chapter 3 received a favorable review from JCCR in October 2013 and reduces SFB's lease-purchase payments by \$(1,445,200) in FY 2014 and \$(3,800,800) in FY 2015.

At its April 10, 2014 meeting, JCCR favorably reviewed a second refinancing agreement under the same statutory authority, which is estimated to produce non-recurring savings of \$(7,922,700) in FY 2015. Since the enacted budget was transmitted before the JCCR meeting, the savings from this second agreement were not included in the FY 2015 enacted budget and are not included in *Table 2* below. The FY 2016 Baseline will include a one-time ex-appropriation of these savings for FY 2015.

In addition, all other lease-purchase payments and PLTO payments that are made from the General Fund are budgeted to decrease by \$(188,600) from the General Fund in FY 2015. (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 2015 bond payment will be \$37,499,000. This results in the General Fund receiving \$(37,499,000) less in Lottery revenues in FY 2015.

The federal requirements pertaining to operating financing 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.)

	Overall Balance	<u>1/</u> GF Balance	Overall FY 15 Payment	<u>2/</u> FY 15 GF Payment	Retirement FY
<b>Lease-Purchase Summary</b>					
<u>ADOA Building System</u>					
<b>2008A Issuance</b>					
ADC 4000 Prison Beds, Water, and Wastewater	\$ 158,660,000	\$ 158,660,000	\$ 16,713,400	\$ 16,713,400	FY 23, FY 28
DHS Forensic Hospital	20,685,000	20,685,000	3,108,900	3,108,900	FY 23
<i>Subtotal</i>	\$ 179,345,000	\$ 179,345,000	\$ 19,822,300	\$ 19,822,300	
<b>2010 A/B Issuance</b>					
Sale/Leaseback	\$ 886,415,000	\$ 886,415,000	\$ 84,123,700	\$ 84,123,700	FY 30
<b>2013 A Issuance</b>					
PLTO Refinance - DHS Building	\$ 22,345,000	\$ -	\$ 1,790,300	\$ -	FY 29
<b>2013 B Issuance</b>					
Refinance - 2002A Health Lab	\$ 13,420,000	-	\$ 2,031,300	-	FY 23
Refinance - 2004B Prisons	\$ 11,140,000	\$ 11,140,000	\$ 3,074,600	\$ 3,074,600	FY 19
<i>Subtotal - ADOA</i>	\$ 1,112,665,000	\$ 1,076,900,000	\$ 110,842,200	\$ 107,020,600	
<u>School Facilities Board</u>					
New School Construction - FY 2003 - FY 2005	\$ 273,535,000	\$ 273,535,000	\$ 82,721,100	\$ 82,721,100	FY 20
New School Construction - FY 2008 - FY 2009	419,360,000	419,360,000	58,644,400	58,644,400	FY 24
Federal Bonds	74,201,600	74,201,600	11,187,300 <u>3/</u>	11,187,300 <u>3/</u>	FY 28
2011 Refinance	58,785,000	58,785,000	2,449,800	2,449,800	FY 20
2013 Refinance	67,435,000	67,435,000	15,152,600	15,152,600	FY 20
<i>Subtotal - SFB</i>	\$ 893,316,600	\$ 893,316,600	\$ 170,155,200	\$ 170,155,200	
<u>ABOR Building System</u>					
Arizona State University	\$ 301,602,000	\$ 156,055,000	\$ 31,423,000	\$ 13,989,000	FY 34
Northern Arizona University	59,960,000	59,960,000	5,695,800	5,491,500	FY 31
University of Arizona	395,990,000	154,075,000	39,391,000	9,593,000	FY 72
<i>Subtotal - ABOR</i>	\$ 757,552,000	\$ 370,090,000	\$ 76,509,800	\$ 29,073,500	
Phoenix Convention Center <u>4/5/</u>	\$ 260,124,300	\$ 260,124,300	\$ 20,449,000	\$ 20,449,000	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 3,023,657,900	\$ 2,600,430,900	\$ 377,956,200	\$ 326,698,300	

(Continued)

Table 2 (Continued)

<b>Bonding Summary</b>	<b>Overall Balance</b>	<u>1/</u>	<b>GF Balance</b>	<u>1/</u>	<b>Overall FY 15 Payment</b>	<u>2/</u>	<b>FY 15 GF Payment</b>	<u>2/</u>	<b>Retirement FY</b>
<b>School Facilities Board</b>									
Deficiencies Correction:									
Proposition 301	\$ 316,650,400		\$ -		\$ 65,732,300		\$ -		FY 20
State Land Trust - FY 2004	<u>63,500,000</u>		<u>\$ -</u>		<u>23,291,000</u>		<u>-</u>		FY 18
<i>Subtotal - SFB</i>	\$ 380,150,400		\$ -		\$ 89,023,300		-		
Department of Transportation <u>6/</u>	\$ 1,808,500,000		\$ -		\$ 203,873,000 <u>7/</u>		\$ -		FY 14 - 38
<b>ABOR Building System</b>									
Arizona State University	815,530,000		-		79,781,800		-		FY 44
Northern Arizona University	268,640,000		-		22,002,800		-		FY 41
University of Arizona	510,400,000		-		44,974,000		-		FY 48
University Lottery Bond (SPEED)	<u>524,615,000</u> <u>8/</u>		<u>-</u>		<u>24,359,600</u>		<u>-</u>		FY 48
<i>Subtotal - ABOR</i>	\$ 2,119,185,000		\$ -		\$ 171,118,200		\$ -		
Lottery Revenue Bond <u>4/</u>	\$ 372,880,000		\$ 372,880,000		\$ 37,499,000		\$ 37,499,000		FY 29
<i>TOTAL - Bonding</i>	\$ 4,680,715,400		\$ 372,880,000		\$ 501,513,500		\$ 37,499,000		
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	<b>\$ 7,704,373,300</b>		<b>\$ 2,973,310,900</b>		<b>\$ 879,469,700</b>		<b>\$ 364,197,300</b>		

1/ Represents principal balances as of June 30, 2015. 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 15 GF Payment" column.

3/ This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account recent federal budget reductions, in FY 2015 this subsidy is expected to be \$4,052,300 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 the city to pay this portion of the lease-purchase payment. The FY 2015 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

6/ Includes \$1,613,830,000 for Highway User Revenue Fund bonds and \$194,670,000 for Grant Anticipation Notes.

7/ Future debt service schedule is: FY 2016 - \$202,886,000; FY 2017 - \$165,145,000; FY 2018 - \$165,146,000.

8/ Represents outstanding balance as of the end of FY 2015 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)