

**Capital Outlay  
Summary**

	FY 2016 APPROVED
<b>BUILDING RENEWAL</b>	
ADOA Building System	20,097,900
ADOT Building System	3,396,800
ABOR Building System	0
<b>SUBTOTAL</b>	<b>23,494,700</b>
<b>INDIVIDUAL PROJECTS</b>	
ADOA Building System	2,500,000
ADOT Building System	262,652,800
ABOR Building System	0
<b>SUBTOTAL</b>	<b>265,152,800</b>
<b>LEASE-PURCHASE PAYMENTS</b>	
Lease-Purchase Obligations <sup>1/</sup>	114,563,600
<b>TOTALS</b>	
ADOA Building System	137,161,500
ADOT Building System	266,049,600
ABOR Building System	0
<b>TOTAL - ALL PROJECTS</b>	<b>403,211,100</b>
<b>FUND SOURCES</b>	
General Fund	120,763,600
<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
Game and Fish Fund	530,000
State Aviation Fund	21,996,700
State Highway Fund	242,852,900
State Lottery Fund	103,600
State Parks Revenue Fund	1,500,000
SUBTOTAL - Other Appropriated Funds	282,447,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>403,211,100</b>
Other Non-Appropriated Funds	466,892,000
Federal Funds	670,848,000
<b>TOTAL - ALL SOURCES</b>	<b>1,540,951,100</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 Act but may be made through other bills as well.

<sup>1/</sup> This amount was appropriated by the FY 2016 General Appropriation Act (Laws 2015, Chapter 8, Section 129, Section 130 and Section 131). All other appropriations appear in the FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9).

The following amounts are one-time appropriations:

**Summary**

The budget includes a total of \$403,211,100 from Appropriated Funds in FY 2016. Of the total, \$120,763,600 is from the General Fund and \$282,447,500 is from Other Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

**Building Renewal**

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The budget includes total funding of \$23,494,700 in FY 2016 for Building Renewal, which consists of \$5,000,000 from the General Fund and \$18,494,700 Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$14,000,000
General Fund/Capital Outlay	
Stabilization Fund	
@ 38.8% (excludes ADC,	
Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building	5,464,300
Renewal Fund @ 31.1%	
Game and Fish Department	
Game and Fish Fund @ 69.1%	530,000
State Lottery Commission	
State Lottery Fund @ 100%	<u>103,600</u>
Subtotal - ADOA	\$20,097,900
Arizona Department of Transportation	
State Highway Fund @ 27.1%	\$ 3,191,900
State Aviation Fund @ 93.2%	<u>204,900</u>
Subtotal - ADOT	\$ 3,396,800

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

**Individual Projects**

The budget includes total funding of \$265,152,800 in FY 2016 for individual capital projects, which consists of \$1,200,000 from the General Fund and \$263,952,800 from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

**Lease-Purchase Payments**

The budget includes \$114,563,600 from the General Fund in FY 2016 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 and the Rio Nuevo Multipurpose Facility District. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

# Capital Outlay

## Arizona Department of Administration Building System

FY 2016  
APPROVED

### BUILDING RENEWAL

Department of Administration <sup>1/2/</sup>	14,000,000
Department of Corrections <sup>3/</sup>	5,464,300
Game and Fish Department	530,000
Arizona Lottery Commission	103,600
<b>SUBTOTAL <sup>4/</sup></b>	<b>20,097,900</b>

### INDIVIDUAL PROJECTS <sup>5/</sup>

#### Arizona Exposition and State Fair Board

Capital Improvements 1,000,000

#### Arizona State Parks Board

Capital Improvements 1,500,000

**SUBTOTAL** **2,500,000**

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

**22,597,900**

### FUND SOURCES

General Fund	5,000,000
<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
Game and Fish Fund	530,000
State Lottery Fund	103,600
State Parks Revenue Fund	1,500,000
SUBTOTAL - Other Appropriated Funds	17,597,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>22,597,900</b>

### TOTAL - ALL SOURCES

**22,597,900**

- <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> On or before January 31, 2016 and July 31, 2016, the Department of Administration shall report to the Joint Legislative Budget Committee Staff on the status of all building renewal projects and building renewal expenditures. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> On or before January 31, 2016 and July 31, 2016, the State Department of Corrections shall report to the Joint Legislative Budget Committee Staff on the status of all building renewal projects and building renewal expenditures. 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>4/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2016 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. (Capital Outlay Appropriation Act footnote)
- <sup>5/</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>6/</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>7/</sup> An appropriation made in Section 7 of this act does 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 encumbrance. Except as provided in subsection A of this section and notwithstanding A.R.S § 35-190D, the appropriations made in this act for FY 2016 that are unexpended on June 30, 2017 revert to the fund from which the monies were appropriated from. (Capital Outlay Appropriation Act footnote)

**DESCRIPTION** — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) 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 2016 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2015, Chapter 9 (FY 2016 Capital Outlay Bill).

management of building renewal projects, and a requirement that unused building renewal monies revert on June 30, 2017.

**Building Renewal**

The budget includes \$20,097,900 from the General Fund and Other Appropriated Funds in FY 2016 for Building Renewal within the ADOA Building System. This amount consists of:

- \$14,000,000 to ADOA, which consists of \$5,000,000 from the General Fund and \$9,000,000 from the Capital Outlay Stabilization Fund (COSF). This amount funds 38.8% of the non-Department of Corrections (ADC) building renewal formula. The FY 2015 appropriation of \$18,000,000 included \$9,000,000 from COSF and \$9,000,000 from the General Fund, which represented 53.0% of the non-ADC formula.
- \$5,464,300 to the Arizona Department of Corrections (ADC) from the ADC Building Renewal Fund, which funds 31.1% of the ADC-only building renewal formula. The FY 2015 appropriation of \$8,464,300 included \$5,464,300 from the ADC Building Renewal Fund and \$3,000,000 from the General Fund, which represented 51.6% of the ADC-only formula.
- \$530,000 to Arizona Game and Fish Department from the Game and Fish Fund which funds 69.1% of the agency's building renewal formula. The agency did not receive a building renewal appropriation in FY 2015.
- \$103,600 to the Arizona State Lottery Commission from the State Lottery Fund, which continues to fund 100% of the building renewal formula. The FY 2015 budget included \$97,400 from the State Lottery Fund, which also represented 100% of the agency's building renewal 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

**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 2016 for capital improvements.

**Arizona State Parks Board Capital Improvements**

The budget includes \$1,500,000 from the State Parks Revenue Fund in FY 2016 for capital improvements in the State Park system.

**Other Issues**

**COSF Rental Rate Change & Payment Adjustments**

The budget includes no agency adjustments for lease-purchase and rental charges, as all changes will be funded from existing agency appropriations and will have no corresponding change in agency funding levels. Excluding the ADOA sale/leaseback, the lease-purchase and rent changes from the *FY 2015 Appropriations Report* are as follows:

	<u>General Fund</u>	<u>Total Funds</u>
• Lease-Purchase	\$ 65,600	\$110,500
• PLTO	30,300	252,300
• State Building Rent	<u>22,700</u>	<u>(66,600)</u>
	\$ 118,600	\$296,200

**Lease-Purchase**

In FY 2016, lease-purchase payments will increase by \$110,500, of which \$65,600 is from the General Fund and \$44,900 from Other Appropriated Funds.

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

In FY 2016, PLTO payments will increase by \$252,300, of which \$30,300 is from the General Fund, \$189,800 is from

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 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, 2015. (Capital Outlay Appropriation Act footnote)

Other Appropriated Funds, and \$32,200 is from Non-Appropriated Funds.

***Rent Adjustments***

In FY 2016, state building rent payments will decrease by \$(66,600) which consists of: \$22,700 increase from the General Fund, \$(105,000) decrease from Other Appropriated Funds, and \$15,700 increase from Non-Appropriated Funds.

The budget includes an updated Summary of Rent Charges, which reflects updated space utilization amounts when applying the current rental rates of state building space (Office - \$13.08 per sq. ft./Storage - \$4.74 per sq. ft.). *(Please see Summary of Rent Charges for additional information.)*

# Capital Outlay

## Arizona Department of Transportation Building System

FY 2016  
APPROVED

### BUILDING RENEWAL

ADOT Building Renewal <sup>1/</sup>	3,396,800
<b>SUBTOTAL</b>	<b>3,396,800</b>

### INDIVIDUAL PROJECTS

Navajo Nation <sup>2/</sup>	1,200,000
De-Icer Buildings <sup>3/</sup>	2,280,000
Vehicle Wash Systems <sup>4/</sup>	2,910,000
Airport Planning and Development <sup>5/6/</sup>	21,791,800
Statewide Highway Construction <sup>6/7/</sup>	234,471,000
<b>SUBTOTAL</b>	<b>262,652,800</b>

<b>TOTAL - ALL PROJECTS</b> <sup>8/9/10/11/</sup>	<b>266,049,600</b>
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### FUND SOURCES

#### Other Appropriated Funds

General Fund	1,200,000
State Aviation Fund	21,996,700
State Highway Fund	242,852,900
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>264,849,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>266,049,600</b>

Other Non-Appropriated Funds	466,892,000
Federal Funds	670,848,000
<b>TOTAL - ALL SOURCES</b>	<b>1,403,789,600</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 2016 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 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. (Capital Outlay Appropriation Act footnote)
- <sup>2/</sup> The sum of \$1,200,000 is appropriated from the state General Fund in FY 2016 to the Department of Transportation for distribution to the Navajo Nation for transportation projects on reservation land in this state. Notwithstanding A.R.S. § 41-1252, the appropriation made in subsection A of this section is not subject to review by the Joint Committee on Capital Review. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> The sum of \$2,280,000 is appropriated from the State Highway Fund established by A.R.S. § 28-6991 in FY 2016 to the Department of Transportation for the construction of 5 de-icer buildings. The Department of Transportation shall submit the scope, purpose and estimated cost of the de-icer buildings to the Joint Committee on Capital Review for its review pursuant to A.R.S. § 41-1252. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> The sum of \$2,910,000 is appropriated from the State Highway Fund established by A.R.S. § 28-6991 in FY 2016 to the Department of Transportation for the construction of 6 vehicle wash systems. The Department of Transportation shall submit the scope, purpose and estimated cost of the vehicle wash systems to the Joint Committee on Capital Review for its review pursuant to A.R.S. § 41-1252. (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> An appropriation made in Section 7 of this act does not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2015, Chapter 9 (FY 2016 Capital Outlay Bill).

### **Building Renewal**

The budget includes \$3,396,800 in FY 2016 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 27.1% funding of the revised highways building renewal formula and 93.2% funding of the aviation building renewal formula.

### **Individual Projects**

#### **Navajo Nation Transportation Projects**

The budget includes \$1,200,000 from the General Fund in FY 2016 for one-time Navajo Nation transportation projects on reservation land in this state.

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

The budget includes \$2,280,000 from SHF in FY 2016 for ADOT to construct 5 new buildings that will house de-icer chemicals and bulk sand, 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's Risk Management Division, minimizing the

potential for environmental incidents. Each de-icer building will cost an estimated \$456,000. In April 2015, the Joint Committee on Capital Review favorably reviewed ADOT's FY 2015 de-icer building project. ADOT's FY 2015 plan allocated \$2,280,000 for 5 de-icer buildings located in Camp Verde, Fredonia, Kayenta, St. John and Three Way. Between FY 2014 and FY 2016, a total of \$6,840,000 has been appropriated for de-icer buildings at 15 sites.

#### **Vehicle Wash Systems**

The budget includes \$2,910,000 from SHF in FY 2016 for ADOT to construct new vehicle wash systems at 6 highway maintenance sites statewide. Each vehicle wash system costs \$485,000. 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 was also appropriated \$3,000,000 in FY 2015 for 6 vehicle wash buildings. Between FY 2014 and FY 2016, a total of \$8,910,000 has been appropriated for vehicle wash systems at 18 sites.

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

The budget includes \$21,791,800 from the State Aviation Fund (SAF) in FY 2016 for ADOT's airport construction program. Fund revenues are generated from a flight property tax on commercial airline aircraft, a license tax on non-commercial aircraft, and Grand Canyon Airport operational revenues. A footnote in the FY 2016 Capital Outlay Bill appropriates any additional monies in SAF above the appropriation to ADOT for aviation construction. (*Please see Footnote 5.*)

- 7/ 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)
- 8/ The Department of Transportation shall report on or before November 1, 2015 to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall 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)
- 9/ 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)
- 10/ On or before November 1, 2015, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2017 and the estimated debt service payment amount for FY 2017 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, 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, 2015, the Department of Transportation shall report capital outlay information for FY 2015, FY 2016 and FY 2017 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 2015 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

### Statewide Highway Construction

The budget includes \$234,471,000 from SHF in FY 2016 for controlled access, debt service on bonds, and new construction. A footnote in the FY 2016 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction. (Please see Footnote 7.)

#### Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$88,663,000 from SHF in FY 2016. Please see Table 5 for the HURF distribution analysis, which shows that after implementing statewide adjustments, \$88,113,000 of net SHF monies will be available for controlled access in FY 2016 rather than \$88,663,000. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

#### Debt Service

The budget includes \$115,356,000 from SHF in FY 2016 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,692,405,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2016 debt service payments. (Please see Table 4 for more information on debt service.)

#### New Construction

The budget includes \$30,452,000 from SHF in FY 2016 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. Table 5 displays the HURF distribution analysis, which shows that after implementing statewide adjustments and additional ADOT highway maintenance funding, \$25,830,000 of net SHF monies will be available for statewide highway construction in FY 2016 rather than \$30,452,000. (Please see the Summary of Highway Construction section and Table 5 for additional information.)

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

	<u>Capital Outlay Bill</u>
Controlled Access	\$ 88,663,000
Debt Service	115,356,000
Highway Construction	<u>30,452,000</u>
<b>Total</b>	<b>\$234,471,000</b>

As noted in the HURF distribution table (please see Table 5), an additional amount of \$320,468,000 from unspent FY 2015 State Highway Fund monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2016.

### Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$988.4 million in FY 2014 to \$1.5 billion in FY 2015, before falling back to \$1.1 billion in FY 2016. Because construction of the South Mountain Freeway will begin in FY 2015, expenditures from the Maricopa Regional Area Road Fund (MRARF) are noticeably higher in FY 2015 than the other years. Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the FY 2016 Baseline Book. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

**Table 2**

	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Estimate</u>	<u>FY 2016</u> <u>Estimate</u>
Aviation Federal Funds	\$ 727	\$ 940	\$ 1,100
Federal Grants	<u>669,747</u>	<u>669,748</u>	<u>669,748</u>
<b>Subtotal - Federal Funds</b>	<b>\$670,474</b>	<b>\$ 670,688</b>	<b>\$ 670,848</b>
Economic Strength Project Fund	\$ 1,000	\$ 1,000	\$ 1,000
Highway Expansion and Extension Loan Program Fund	0	12,500	37,500
Local Agency Deposits Fund	84,484	90,000	85,000
Maricopa Regional Area Road Fund	232,415	706,015	343,392
<b>Subtotal - Other Non-Appropriated Funds</b>	<b>\$317,899</b>	<b>\$ 809,515</b>	<b>\$ 466,892</b>
<b>Total</b>	<b>\$988,373</b>	<b>\$1,480,203</b>	<b>\$1,137,740</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 13, 2014 includes monies from SHF, Federal Funds, MRARF, HURF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$814,741,000 for FY 2016. (Please see Table 3 for additional details.)

**Table 3****Highway Construction Projects Beginning in FY 2016  
(\$ in Thousands)**

	<u>FY 2016</u> <sup>1/</sup>
Construction	\$ 111,104
Urban Controlled Access <sup>2/</sup>	412,812
Pavement Preservation Maintenance	236,059
Other <sup>3/</sup>	<u>54,766</u>
<b>Total</b>	<b>\$814,741</b>

<sup>1/</sup> Data from ADOT's 2015-2019 5-Year Transportation Facilities Construction Program.

<sup>2/</sup> Includes expenditures from HURF for controlled access, PAG, and MRARF.

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

**Total Highway Construction Funding**

Only a small portion of the state's total highway construction funding is appropriated. The FY 2016 budget provides \$234,471,000 for highway construction, including \$30,452,000 of net SHF monies for statewide highway construction. In *Table 5*, this amount is adjusted to \$25,830,000 due to statewide adjustments.

*Table 4* summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2014 through FY 2016 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 2016 by category of construction. *Table 4* also includes monies from the Local Agency Deposits Fund, while *Table 3* does not.

For FY 2014, *Table 4* shows that total FY 2014 cash highway construction expenditures were \$906.8 million while \$288.0 million was spent on debt service. In FY 2015, total estimated cash highway construction expenditures are \$1.5 billion with total debt service of \$307.5 million. The FY 2015 increase is primarily due to MRARF. As previously indicated, ADOT will begin construction of the South Mountain Freeway in FY 2015.

In FY 2016, total estimated cash highway construction expenditures are \$1.5 billion with total debt service of \$338.6 million. While the total cash highway construction program in FY 2016 is comparable to FY 2015, MRARF is projected to decline from \$535.9 million in FY 2015 to \$140.4 million in FY 2016. The SHF portion of the cash highway construction program grows from \$33.8 million in FY 2015 to \$274.1 million in FY 2016.

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 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 \$129.5 million in FY 2014, \$141.8 million in FY 2015, and \$136.0 million in FY 2016. Of the \$338.6 million total debt service amount in *Table 4*, only \$115.4 million 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 6* explains the formula distribution of HURF monies between state and local governments. *Table 5* presents the overall HURF distribution for FY 2014 through FY 2016. The line in *Table 5* showing Net SHF Available for Statewide Highway Construction, which totals \$25,830,000 for FY 2016, 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 2014 HURF collections of \$1,241,332,000 were 2.6% above FY 2013. As of April 2015, HURF fiscal year-to-date collections were 3.7% higher than the prior year. The Baseline projections used in *Table 5*, however, assume a 2.0% increase in total HURF revenue collections in both FY 2015 and FY 2016. Based on the FY 2015 fiscal year-to-date trend, HURF collections in FY 2015 and FY 2016 are estimated to be \$21.1 million and \$43.4 million above the Baseline amounts, respectively.

The significant and sustained drop in gas prices in FY 2015 has led to increased fuel consumption and increased HURF revenue. So far during FY 2015, gas tax revenue through April 2015 was up by 3.1% compared to the prior year, and use fuel tax (diesel) revenue was up by 4.2% compared to the prior year. The average price per gallon of regular gasoline in Arizona was \$2.67 at the beginning of May, or \$(0.84) per gallon lower than a year ago, according to the American Automobile Association. VLT revenue growth has also contributed to overall HURF growth in FY 2015. VLT revenue has increased by 6.0% during FY 2015.

Table 4

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

<u>Sources</u>	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Estimate</u>	<u>FY 2016</u> <u>Estimate</u>
<b>State Highway Fund (SHF)</b>			
<b>Appropriated</b>			
HURF - Statewide Debt Service	\$ 96.8	\$ 111.1	\$ 115.4
HURF - MAG Debt Service	25.2	27.9	30.6
MAG/PAG 15.2% Controlled Access - Construction Expenditures	13.8	30.3	235.3
Net SHF Funds Available for Statewide Highway Construction Expenditures	17.6	-	25.8
<b>Total SHF - Appropriated</b>	<b>\$ 153.4</b>	<b>\$ 169.3</b>	<b>\$ 407.1</b>
<b>Non-Appropriated</b>			
SHF Highway Construction <sup>1/</sup>	\$ 20.0	\$ 3.5	\$ 13.0
<b>Total SHF - Non-Appropriated</b>	<b>\$ 20.0</b>	<b>\$ 3.5</b>	<b>\$ 13.0</b>
<b>Total SHF Highway Construction Expenditures</b>	<b>\$ 173.4</b>	<b>\$ 172.8</b>	<b>\$ 420.1</b>
<b>Federal Aid</b>			
<b>Total Federal Aid Highway Construction Expenditures</b>	<b>\$ 692.7</b>	<b>\$ 805.0</b>	<b>\$ 805.0</b>
<b>Maricopa Regional Area Road Fund</b>			
Highway Construction Expenditures	\$ 67.8	\$ 535.9	\$ 140.4
MRARF Debt Service	103.2	103.6	135.7
<b>Total Maricopa Regional Area Road Fund Highway Construction Expenditures</b>	<b>\$ 171.0</b>	<b>\$ 639.5</b>	<b>\$ 276.1</b>
<b>Bond Proceeds</b>			
HURF - Highway Construction Expenditures	\$ 39.0	\$ 112.1	\$ 100.0
MRARF - Highway Construction Expenditures	80.0	30.1	220.0
GAN - Highway Construction Expenditures	34.8	13.1	-
<b>Total Bond Proceeds Highway Construction Expenditures</b>	<b>\$ 153.8</b>	<b>\$ 155.3</b>	<b>\$ 320.0</b>
<b>Local Agency Deposits Fund</b>			
Local Agency Deposits Fund Highway Construction Expenditures (Non-Federal)	\$ 3.9	\$ 10.0	\$ 5.0
<b>Total Local Agency Deposits Fund</b>	<b>\$ 3.9</b>	<b>\$ 10.0</b>	<b>\$ 5.0</b>
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr. Expenditures	3.9	10.0	5.0
<b>Total Local Agency Deposits Fund Highway Construction Expenditures</b>	<b>\$ 3.9</b>	<b>\$ 10.0</b>	<b>\$ 5.0</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,194.8</b>	<b>\$ 1,782.6</b>	<b>\$ 1,826.2</b>
<b>Total Debt Service</b>			
SHF	\$ 122.0	\$ 139.0	\$ 146.0
Federal Aid	62.8	64.9	56.9
MRARF	103.2	103.6	135.7
<b>Total Debt Service</b>	<b>\$ 288.0</b>	<b>\$ 307.5</b>	<b>\$ 338.6 <sup>2/</sup></b>
<b>Total Cash Highway Construction Expenditures</b>			
SHF	\$ 51.4	\$ 33.8	\$ 274.1
Federal Aid	629.9	740.1	748.1
MRARF	67.8	535.9	140.4
Bond Proceeds	153.8	155.3	320.0
Local Agency Deposits Fund	3.9	10.0	5.0
<b>Total Cash Highway Construction Expenditures</b>	<b>\$ 906.8</b>	<b>\$ 1,475.1</b>	<b>\$ 1,487.6</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,194.8</b>	<b>\$ 1,782.6</b>	<b>\$ 1,826.2</b>

<sup>1/</sup> Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

<sup>2/</sup> Information provided by the department. Includes \$145,983,000 for HURF bonds (\$115,356,000 for statewide program and \$30,627,000 MAG program); \$56,903,000 for Grant Anticipation Notes; and \$135,644,000 for MRARF bonds as of June 30, 2014.

Table 5

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

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
<b>Total HURF Collections</b>	\$1,241,332	\$1,266,159	\$1,291,482
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program <sup>2/</sup>	672	652	653
Automation Projects Fund	5	0	0
Dept. of Public Safety Transfer from HURF <sup>3/</sup>	119,247	89,255	96,409
Reversions from DPS	(1,656)	0	0
Cities <sup>4/</sup>	0	16,003	16,003
Counties <sup>4/</sup>	0	9,969	9,969
Controlled Access <sup>4/</sup>	<u>0</u>	<u>4,028</u>	<u>4,028</u>
<b>Net HURF Collections</b>	<b>\$1,122,064</b>	<b>\$1,145,252</b>	<b>\$1,163,420</b>
Less: Cities <sup>5/</sup>	342,230	349,302	354,843
Counties <sup>5/</sup>	213,192	217,598	221,050
VLT Transfer to Parity Compensation Fund <sup>6/</sup>	2,616	2,826	2,934
VLT Transfer to General Fund (5-Year VLT) <sup>7/</sup>	1,205	1,200	1,200
VLT Transfer to General Fund (Abandoned Vehicle) <sup>8/</sup>	3,704	3,700	3,700
Controlled Access <sup>9/</sup>	<u>84,986</u>	<u>86,735</u>	<u>88,113</u>
<b>Net SHF (Discretionary)</b>	<b>\$ 474,131</b>	<b>\$ 483,891</b>	<b>\$ 491,580</b>
Plus: Other Income <sup>10/</sup>	42,871	43,636	31,103
Less: Operating Budget <sup>11/</sup>	331,354	340,870	341,900
Dept of Public Safety Transfer from Highway Fund <sup>12/</sup>	6,744	6,744	7,273
Capital Outlay	5,280	5,280	5,190
Building Renewal	2,268	3,192	3,192
Motor Vehicle Third Party Payments <sup>13/</sup>	21,822	23,065	23,942
AFIS Replacement	2,348	0	0
Debt Service <sup>14/</sup>	<u>112,237</u>	<u>111,075</u>	<u>115,356</u>
<b>Net SHF Available for Statewide Highway Construction</b> <b>(5-Year Plan) <sup>15/</sup></b>	<b>\$ 34,949</b>	<b>\$ 37,301</b>	<b>\$ 25,830</b>
<b>SHF Adjustments</b>			
Plus: Controlled Access SHF Beginning Balance	223,177	270,878	305,434
STAN Account Beginning Balance	<u>38,266</u>	<u>18,534</u>	<u>15,034</u>
<b>Total SHF Available for Statewide Highway Construction</b>	<b>\$ 296,392</b>	<b>\$ 326,713</b>	<b>\$ 346,298</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 2015 amount of \$651,800 includes \$300 for statewide adjustments. The FY 2016 amount of \$652,700 includes \$900 for statewide adjustments.
- <sup>3/</sup> The FY 2015 amount of \$89,255,000 includes \$7,900 for statewide adjustments. The FY 2016 amount of \$96,409,200 includes \$(403,100) for statewide adjustments.
- <sup>4/</sup> The FY 2016 Revenue Budget Reconciliation Bill (Laws 2015, Chapter 10) requires, as session law, \$30 million of HURF revenues in FY 2015, FY 2016 and 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>5/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- <sup>6/</sup> A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.
- <sup>7/</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>8/</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>9/</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>10/</sup> Includes interest and rental income, transfers from the Public Roads Fund, deposits from the UST tax, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. The FY 2014 amount of \$42,871,000 includes \$42,199,000 in miscellaneous revenue and \$672,000 for the Registration Compliance program. The FY 2015 estimate of \$43,636,000 includes \$42,984,200 in miscellaneous revenue and \$651,800 for the Registration Compliance program. The FY 2016 estimate of \$31,102,900 includes \$30,450,200 in miscellaneous revenue and \$652,700 for the Registration Compliance program.
- <sup>11/</sup> The FY 2015 amount of \$340,869,900 includes \$3,461,900 for new lane miles and \$84,800 for statewide adjustments. The FY 2016 amount of \$341,899,700 includes \$(1,056,200) for statewide adjustments.
- <sup>12/</sup> The FY 2015 amount of \$6,743,900 includes \$100 for statewide adjustments. The FY 2016 amount of \$7,273,200 includes \$(29,500) for statewide adjustments.
- <sup>13/</sup> Statutory payments to third parties from VLT collected by third parties.
- <sup>14/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
- <sup>15/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

Laws 2013, Chapter 244 deposited \$12,419,700 from the Underground Storage Tank (UST) tax into SHF for FY 2014 covering the period from January 2014 to June 30, 2014. For the first 6 months of FY 2015, \$15,317,700 from the UST tax was deposited in SHF. The source of the tax is a 1-cent excise tax on petroleum products and hazardous substances. Previously, these monies supported the Department of Environmental Quality’s program to clean up leaking underground storage tanks.

The FY 2015 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 14) eliminated the deposit of UST tax collections in SHF effective January 1, 2015. Laws 2015, Chapter 247 deposits UST tax revenue in the UST Revolving Fund. *(Please see the Department of Environmental Quality’s narrative for more details.)*

**3-Year HURF Distribution to Local Governments**

The FY 2015 Revenue BRB required \$30.0 million of HURF revenues in both FY 2015 and FY 2016 and \$60.0 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 FY 2016 Revenue BRB decreased the distribution in FY 2017 from \$60.0 million to \$30.0 million. The language specifies that these HURF revenues may only be spent on direct construction/repair and right-of-way expenditures. *(Please see footnote 4 in Table 5 for the impact of this policy on the HURF distribution.)*

Prior to FY 2015, \$119.2 million of HURF funding had been allocated to the Department of Public Safety (DPS) for highway patrol expenses. By replacing \$30.0 million of HURF with General Fund in the DPS budget, the Legislature made the additional \$30.0 million available to local governments through the HURF distribution in FY 2015, FY 2016, and FY 2017.

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.

# Capital Outlay

## Arizona Board of Regents Building Systems

FY 2016  
APPROVED

### BUILDING RENEWAL

Arizona Board of Regents

#### TOTAL

0  
0

### FUND SOURCES

General Fund

#### TOTAL - ALL SOURCES

0  
0

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

#### 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 budget includes no funding for Building Renewal in the ABOR Building System.

#### Lease-Purchase Projects

In FY 2016, ABOR is projected to have \$716,604,000 in outstanding lease-purchase balances, with an overall debt service payment of \$76,131,300. The FY 2016 General Fund share of the debt service is \$26,508,800. These monies pay for the 2003 Certificates of Participation which were issued in the amount of \$482,500,000 to provide funding for a variety of research infrastructure projects.

Laws 2003, Chapter 267 appropriated \$34,625,000 from the General Fund from FY 2008 through FY 2031 to pay for the Research Infrastructure debt service.

The FY 2016 Research Infrastructure debt service will be \$(8,112,100) below the amount in FY 2015 due to refinancing Certificates of Participation. *(See the ABOR operating section for additional information on universitywide refinance savings.)*

#### Bonding

In FY 2016, ABOR is projected to have \$2,259,750,000 in outstanding bond balances, including both system revenue and Lottery bonds. The projected debt service is \$202,573,800. *(Please see the ABOR agency section for more information.)*

#### University Lottery Bonds

One component of the \$2.3 billion balance is university lottery revenue 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). These statutory provisions authorized ABOR to enter into 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.

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 renewal projects, of which \$34,773,000 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 was issued in May 2014.

As a result of these actions, \$409,068,000 has been favorably reviewed by JCCR. While the reviewed amount is in excess of the \$408,000,000 statutory allocation for the 3 universities, the actual issuances are within the statutory limit. ASU had projects favorably reviewed in the amount of \$137,653,000, but they have actually issued \$126,380,000, which is within their statutory allotment, with \$9,620,000 remaining. NAU had projects favorably reviewed in the amount of \$136,015,000, which is above its statutory allotment, however, NAU has only issued \$132,350,000, which is within their statutory allotment. UA had projects favorably reviewed totaling \$135,400,000, but have actually issued a total of \$134,950,000, which is within its statutory allotment, with \$1,050,000 remaining. Of the total \$408,000,000 prescribed in statute, \$393,830,000 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. The campus 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 and NAU elected for cash financing for this item. As a result:

- Of the \$172,940,000 for Phase I, ASU's \$43,010,000 will not be issued and NAU paid cash instead of bonding for its \$7,685,000 proposed allocation.
- UA issued \$122,245,000 in June 2010 for Phase I.

In addition, the Committee has taken action at 2 subsequent meetings:

- NAU issued \$7,475,000 to build out shell space in June 2013 (reviewed by the Committee in April 2013).
- In September 2014, the Committee favorably reviewed \$136,100,000 for a Bioscience Partnership Building, which will house 245,000 gross square feet and 10-stories of new research space. These bonds were issued by UA in February 2015.

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. Laws 2009, 1<sup>st</sup> Special Session, Chapter 6, Section 3 would have to be amended in order for ASU and NAU to use the Phoenix Biomedical Campus allocation for other capital projects.

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

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.

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 enacted budget forecast assumes that the \$675,650,000 of total issuances will result in a total debt service payment of \$30,167,000 in FY 2015, with 80% of debt service being paid from Lottery revenues.

<b>University Issuances</b>						
<u>Purpose</u>	<u>University</u>	<u>Statutory Distribution</u>	<u>Reviewed Issuance</u>	<u>Actual Issuance</u>	<u>Remaining Authority</u>	<u>Planned Issuance</u>
Phoenix Biomedical Campus	UA	\$360,960,000	\$258,345,000	\$258,345,000	\$102,615,000	\$ 0
ASU's School of Construction	NAU	15,040,000	8,100,000	7,475,000	7,565,000	0
Building Renewal/ New Construction	ASU	16,000,000	16,000,000	16,000,000	0	0
	ASU	136,000,000	137,653,000 <sup>1/</sup>	126,380,000	9,620,000	0
	NAU	136,000,000	136,015,000 <sup>1/</sup>	132,500,000	3,500,000	0
	UA	<u>136,000,000</u>	<u>135,400,000</u>	<u>134,950,000</u>	<u>1,050,000</u>	<u>0</u>
<i>Subtotal</i>		<i>408,000,000</i>	<i>409,068,000</i>	<i>393,830,000</i>	<i>14,170,000</i>	<i>0</i>
<b>TOTAL</b>		<b>\$800,000,000</b>	<b>\$691,513,000</b>	<b>\$675,650,000</b>	<b>\$124,350,000</b>	<b>\$ 0</b>

<sup>1/</sup> Actual issuances will not exceed statutory distribution

<b>University Lottery Bonding Projects <sup>1/</sup></b>						
		<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Projected Lottery Revenue to UCI Fund <sup>2/</sup>		\$ 28,313,700	\$ 37,559,500	\$ 49,020,100	\$ 55,667,400	\$ 65,509,600
Building Renewal Projects						
Lottery Debt Service	80%	\$ 12,887,400	\$ 14,440,900	\$ 25,101,900	\$ 26,376,600	\$ 26,372,100
University Debt Service	20%	<u>3,221,900</u>	<u>3,610,200</u>	<u>6,275,500</u>	<u>6,594,200</u>	<u>6,593,100</u>
<b>Total Debt Service for \$393.8 M</b>		<b>\$ 16,109,300</b>	<b>\$ 18,051,100</b>	<b>\$ 31,377,400</b>	<b>\$ 32,970,800</b>	<b>\$ 32,965,200</b>
Phoenix Biomedical Campus						
Lottery Debt Service	80%	\$ 4,564,200	\$ 9,119,800	\$ 14,715,200	\$ 14,714,600	\$ 14,715,200
University Debt Service	20%	<u>1,141,000</u>	<u>2,280,000</u>	<u>3,678,800</u>	<u>3,678,600</u>	<u>3,678,800</u>
<b>Total Debt Service for \$265.8 M<sup>3/</sup></b>		<b>\$ 5,705,200</b>	<b>\$ 11,399,800</b>	<b>\$ 18,394,000</b>	<b>\$ 18,393,200</b>	<b>\$ 18,394,000</b>
ASU School of Construction						
Lottery Debt Service	80%	\$ 121,000	\$ 572,900	\$ 764,900	\$ 767,100	\$ 767,100
University Debt Service	20%	<u>30,200</u>	<u>143,200</u>	<u>191,200</u>	<u>191,800</u>	<u>191,800</u>
<b>Total Debt Service for \$16.0 M</b>		<b>\$ 151,200</b>	<b>\$ 716,100</b>	<b>\$ 956,100</b>	<b>\$ 958,900</b>	<b>\$ 958,900</b>
Total Lottery Share at 80% <sup>4/</sup>		\$ 17,572,600	\$ 24,133,600 <sup>5/</sup>	\$ 40,582,000 <sup>5/</sup>	\$ 41,858,300	\$ 41,854,400
Projected University Cost <sup>4/5/6/</sup>		\$ 4,393,100	\$ 6,033,400	\$ 10,145,500	\$ 10,464,600	\$ 10,463,700

<sup>1/</sup> Represents JCCR reviewed projects and issuances.  
<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> This amount consists of: 1) \$122,245,000 issued by UA for Phase I of the Phoenix Biomedical Campus; 2) \$7,475,000 issued by NAU in June 2013 for shell space and 3) \$136,100,000 issued by UA in February 2015 for the Bioscience Partnership Building.  
<sup>4/</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>5/</sup> ABOR reports that the total lottery share will be \$22,290,900 in FY 2015 and \$38,668,100 in FY 2016. The amounts displayed above reflect estimates made in January 2015 based on available information from ABOR.  
<sup>6/</sup> Represents the 20% university share.

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 \$49,020,100 in FY 2016. This estimate solely reflects the total available after other lottery distributions and does not reflect planned usage. Since the maximum 80% Lottery portion of the debt service is assumed to be \$40,582,000 in FY 2016, the enacted budget estimates \$8,438,100 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is projected to be \$10,145,500 in FY 2016.

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. These amounts are based on the FY 2016 Baseline forecast (made in January 2015) and ABOR debt service estimates from that time period.

## Capital Outlay

### Debt and Lease-Purchase Financing

FY 2016  
APPROVED

#### LEASE-PURCHASE PAYMENTS\*

Arizona Department of Administration - 2010 Leaseback Financing	84,114,600 <sup>1/2/</sup>
Phoenix Convention Center	20,449,000 <sup>3/</sup>
Rio Nuevo Distribution	10,000,000 <sup>4/</sup>
<b>TOTAL - ALL PROJECTS</b>	<b>114,563,600</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 3.)

#### FUND SOURCES

General Fund	114,563,600
<b>TOTAL - ALL SOURCES</b>	<b>114,563,600</b>

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

#### 2010 Leaseback Financing

The budget includes \$84,114,600 from the General Fund in FY 2016 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.

- <sup>1/</sup> The sum of \$60,104,300 is appropriated from the State General Fund in FY 2016 to the Department of Administration for the purpose of making a debt service payment on the sale and lease-back of state buildings authorized by Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6. (General Appropriation Act footnote)
- <sup>2/</sup> The sum of \$24,010,300 is appropriated from the State General Fund in FY 2016 to the Department of Administration for the purpose of making a debt service payment on the sale and lease-back of state buildings authorized by Laws 2010, 6<sup>th</sup> Special Session, Chapter 4. (General Appropriation Act footnote)
- <sup>3/</sup> Pursuant to A.R.S. § 9-602, \$20,449,000 of General Fund revenue is allocated in FY 2016 to the Arizona Convention Center Development Fund established by A.R.S. § 9-601. (General Appropriation Act footnote)
- <sup>4/</sup> Pursuant to A.R.S. § 42-5031, a portion of the state transaction privilege tax revenues will be distributed to a Multipurpose Facility District. The Rio Nuevo Multipurpose Facility District is estimated to receive \$10,000,000 in FY 2016. The actual amount of the distribution will be made pursuant to A.R.S. § 42-5031. (General Appropriation Act footnote)

- 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 2016 is expected to be \$1.24 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. Given concerns about the potential for the mandatory repayment requirements, the Executive opted to convert to the Investment Yield Restriction in May 2014. The selection of this limitation is irrevocable for the duration of the financing.

Due to this change, the FY 2016 Budget Procedures BRB (Laws 2015, Chapter 11) repeals the Working Capital Surplus reporting requirement in A.R.S. § 41-707. To replace the Working Capital Surplus Report, Chapter 11 requires the Department of Administration to report to the Joint Legislative Budget Committee (JLBC) and the Governor’s Office of Strategic Planning and Budgeting (OSP) by October 1 of each year on any costs associated with the Investment Yield Restriction, including whether the policy has reduced the yield of investments or required the state to pay any associated penalties to the federal government.

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 2016 related to the state participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center.

In FY 2005, the City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs), of which 50% will be repaid by the state. The project was completed in January 2009.

When the financing was originally authorized, Laws 2003, Chapter 266 enacted a debt service schedule related to this issuance, which was later modified by the FY 2012 Revenue BRB (Laws 2011, Chapter 28). Under this schedule, the state’s annual contribution is scheduled to gradually increase from \$20,449,000 in FY 2016 to \$29,998,900 by FY 2044.

The FY 2016 Revenue BRB (Laws 2015, Chapter 10) makes a technical change to conform the Phoenix Convention Center debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified in FY 2012 to conform to the actual debt service payments of the Phoenix Convention Center financing.

Statute requires the Auditor General to estimate annually how amounts of General Fund revenues resulting from the expansion project compare to debt service payments made by the state since the project’s 2009 completion. If the cumulative estimated revenues from the project fail to meet the state’s cumulative debt service, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

The first comparison report was required in 2014. The study found that estimated General Fund revenues exceeded the state’s debt service payments by \$56,900,000 during the 5-year time period between 2009 and 2014. As a result, the state’s payment remained the same. The net increase was largely due to the state’s low introductory debt service payments. In just FY 2014 alone, \$8,800,000 in added revenues from the project was \$(11,649,000) short of the \$20,449,000 in debt payments.

**Rio Nuevo Distribution**

The budget includes \$10,000,000 from the General Fund in FY 2016 for debt service payments to finance the development of a multipurpose facility and supporting projects in the Rio Nuevo Multipurpose Facility District.

In prior years, distributions of monies to the Rio Nuevo district were accounted for as a reduction of state transaction privilege tax (TPT) revenue. Beginning in FY 2016, these payments are being displayed in the budget as a state expenditure instead. This will assure greater transparency and will be consistent with how the distributions of state monies to the Phoenix Convention Center are currently reported. The FY 2016 payments to the Rio Nuevo district are estimated to be \$10,000,000, which is 5.4% above the actual sales tax distributions for the district in FY 2014. The actual amount distributed in FY 2016 will reflect the TPT allocation to the district required by statute.

*Background* – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. This district, which receives a diversion of TPT to finance the development of a multipurpose facility and supporting projects, stretches east from Downtown Tucson along the retail-intensive Broadway Corridor.

Laws 1999, Chapter 162 allows the district to retain the state’s share of TPT from sales of secondary businesses that are deemed “necessary or beneficial” to the development of the primary component multipurpose facility. This law also limited the district’s TPT revenues to the lesser of: (1) 50% of collections or (2) revenues net of those received prior to the year of the election authorizing the district. This method of permitting a local area to use the state’s tax collections to finance local development projects with the expectation that future tax collections will increase as a result, is known as tax increment financing. Lastly, Laws 1999, Chapter 172 required the district’s municipality to spend a matching amount on projects by the district’s expiration date of July 1, 2025, or until the date all authorized debt service payments are completed, in order to receive state TPT revenues.

Through FY 2014, Rio Nuevo has received a total of \$118,376,500 in TPT distributions from the state (see Table 1). Laws 2006, Chapter 376 extended the period Rio Nuevo could receive these payments from 10 years to 25 years (to July 1, 2025).

**Table 1**

**State TPT Payments to the Rio Nuevo District**

<u>Fiscal Year</u>	<u>Distributions</u>
FY 2014	\$9,486,100
FY 2013	9,755,752
FY 2012	11,957,943
FY 2011	14,099,949
FY 2010	8,727,318
FY 2009	10,399,336
FY 2008	15,456,187
FY 2007	14,974,923
FY 2006	10,968,178
FY 2005	7,469,632
FY 2004	<u>5,081,197</u>
<b>Total</b>	<b>\$118,376,515</b>

**Additional Legislation**

**State Treasurer Reporting of Debt Issuances**

Laws 2015, Chapter 221 requires the State Treasurer, instead of the Department of Revenue (DOR), to record all debt issued by the state or local governments by June 30 of each year.

Chapter 221 requires that, by December 15 of each year, the State Treasurer (instead of DOR) publish a report on the information collected on debt issuances in the prior fiscal year. The report includes an analysis of the outstanding indebtedness of each jurisdiction and compares the outstanding indebtedness to constitutional debt limitations.

**Other Issues**

**State Debt Rating**

In May 2015, Moody’s upgraded Arizona’s credit rating from Aa3 with a positive outlook to Aa2 with a stable outlook. Aa2 is the third highest rating out of 10 possible levels. In comparison to other states, 25 states have a higher rating, 9 states have a similar rating, and 15 states have a lower rating or are not rated due to a lack of state level debt. The other major credit rating agency, Standard & Poor’s, has not updated its credit rating for Arizona since November 2013.

In adopting its credit ratings for Arizona, Moody’s listed some of the following concerns: 1) on-going K-12 litigation; 2) extremely narrow budget reserves; 3) absence of authority for mid-year reductions; and 4) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108. While noting these challenges, Moody’s also indicated Arizona’s comparably moderate debt levels, below median pension liabilities, 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 2 provides information on current lease-to-own agreements.

**Table 2**

**Privatized Lease-to-Own Summary**

<u>Fund Type</u>	<u>FY 2016 Payment</u>	<u>Lease Completion</u>
General Fund	\$1,224,600	FY 2028
Other Approp.	7,678,500	FY 2028
Non-Approp.	<u>1,298,900</u>	FY 2028
<b>Total</b>	<b>\$10,202,000</b>	<b>N/A</b>

These payments are not included in Table 3’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 the Joint Committee on Capital Review (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, which produced non-recurring savings of \$(9,415,900) in FY 2015. The FY 2016 budget includes a one-time ex-appropriation of these savings for FY 2015.

The FY 2016 K-12 Education BRB (Laws 2015, Chapter 15) allows SFB to enter into a refinancing agreement in FY 2016 that will reduce SFB's lease-purchase payments by a combined total of at least \$7,000,000 in FY 2016 through FY 2024. SFB's lease-purchase payment reductions may not vary by more than \$1,000,000 in any single fiscal year during that period. Any refinancing agreement would be subject to JCCR review.

In addition, all other lease-purchase payments and PLTO payments are estimated to change by the following amounts in FY 2016: 1) Lease-purchase payments will increase by \$65,600 from the General Fund and \$44,900 from All Other Funds; and 2) PLTO payments will increase by \$30,300 from the General Fund and \$222,000 from All Other Funds. These adjustments will be funded from

existing agency appropriations and will have no corresponding change in agency funding levels. *(Please see the Capital Outlay ADOA Building System narrative for more information.)*

Table 3 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 2016 bond payment will be \$37,501,800. This results in the General Fund receiving \$(37,501,800) less in Lottery revenues in FY 2016.

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.)*

Table 3

## Lease-Purchase and Bonding Summary

	Overall Balance	<sup>1/</sup> GF Balance	Overall FY 16 Payment	<sup>2/</sup> FY 16 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	\$ 16,061,900	\$ 16,061,900	FY 23 FY 28
DHS Forensic Hospital	20,685,000	20,685,000	3,113,700	3,113,700	FY 23
<i>Subtotal</i>	\$ 179,345,000	\$ 179,345,000	\$ 19,175,600	\$ 19,175,600	
<b>2010 A/B Issuance</b>					
Sale/Leaseback	\$ 886,415,000	\$ 886,415,000	\$ 84,114,600	\$ 84,114,600	FY 30
<b>2013 A Issuance</b>					
PLTO Refinance - DHS Building	\$ 22,345,000	\$ -	\$ 3,098,000	\$ 1,858,800	FY 29
<b>2013 B Issuance</b>					
Refinance - 2002A Health Lab	\$ 13,420,000	\$ -	\$ 2,033,000	\$ -	FY 23
Refinance - 2004B Prisons	11,140,000	11,140,000	3,075,300	3,075,300	FY 19
<i>Subtotal - ADOA</i>	\$ 1,112,665,000	\$ 1,076,900,000	\$ 111,496,500	\$ 108,224,300	
<u>School Facilities Board</u>					
New School Construction - FY 2003 - FY 2005	\$ -	\$ -	\$ 66,228,800	\$ 66,228,800	FY 20
New School Construction - FY 2008 - FY 2009	381,975,000	381,975,000	58,645,700	58,645,700	FY 24
Federal Bonds	60,346,600	60,346,600	9,938,000 <sup>3/</sup>	9,938,000 <sup>3/</sup>	FY 28
2011 Refinance	58,785,000	58,785,000	2,449,800	2,449,800	FY 20
2013 Refinance	45,125,000	45,125,000	24,780,300	24,780,300	FY 20
2014 Refinance	219,020,000	219,020,000	10,345,500	10,345,500	FY 20
<i>Subtotal - SFB</i>	\$ 765,251,600	\$ 765,251,600	\$ 172,388,100	\$ 172,388,100	
<u>ABOR Building System</u>					
Arizona State University	\$ 289,033,000	\$ 151,905,000	\$ 27,075,300	\$ 11,421,600	FY 19-39
Northern Arizona University	56,945,000	56,945,000	5,700,000	5,493,200	FY 31
University of Arizona	370,626,000	151,570,000	43,356,000	9,594,000	FY 72
<i>Subtotal - ABOR</i>	\$ 716,604,000	\$ 360,420,000	\$ 76,131,300	\$ 26,508,800	
Phoenix Convention Center <sup>4/5/</sup>	\$ 260,124,300	\$ 260,124,300	\$ 20,449,000	\$ 20,449,000	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 2,854,644,900	\$ 2,462,695,900	\$ 380,464,900	\$ 327,570,200	
<b>Bonding Summary</b>					
<u>School Facilities Board</u>					
Deficiencies Correction:					
Proposition 301	\$ 245,885,000	\$ -	\$ 64,147,000	\$ -	FY 20
State Land Trust - FY 2004	46,396,900	-	24,903,500	-	FY 18
<i>Subtotal - SFB</i>	\$ 292,281,900	\$ -	\$ 89,050,500	\$ -	
Department of Transportation <sup>6/</sup>	\$ 1,690,780,000	\$ -	\$ 202,886,000 <sup>7/</sup>	\$ -	FY 14 - 38
<u>ABOR Building System</u>					
Arizona State University	\$ 772,895,000	\$ -	\$ 78,032,500	\$ -	FY 44
Northern Arizona University	310,210,000	-	25,540,800	-	FY 41
University of Arizona	495,725,000	-	48,372,000	-	FY 48
University Lottery Bond (SPEED)	680,920,000 <sup>8/</sup>	-	50,727,500	-	FY 48
<i>Subtotal - ABOR</i>	\$ 2,259,750,000	\$ -	\$ 202,672,800	\$ -	
Lottery Revenue Bond <sup>4/</sup>	\$ 353,675,000	\$ 353,675,000	\$ 37,501,800	\$ 37,501,800	FY 29
<i>TOTAL - Bonding</i>	\$ 4,596,486,900	\$ 353,675,000	\$ 532,111,100	\$ 37,501,800	
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	\$ 7,451,131,800	\$ 2,816,370,900	\$ 912,576,000	\$ 365,072,000	

- 1/ Represents principal balances as of June 30, 2016. 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 16 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 2016 this subsidy is expected to be \$3,976,500 of the \$9,938,000 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. Laws 2015, Chapter 10 makes a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.
- 6/ Includes \$1,543,460,000 for Highway User Revenue Fund bonds and \$147,320,000 for Grant Anticipation Notes.
- 7/ Future debt service schedule is: FY 2017 - \$172,259,700; FY 2018 - \$172,014,700; FY 2019 - \$136,540,200.
- 8/ Represents outstanding balance as of the end of FY 2016 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.)*