Program Summary
Building Renewal

Overview

Building Renewal appropriations provide for major maintenance and repair of state-owned buildings. State owned/occupied buildings in Arizona are grouped into the following 3 building systems: (1) the Arizona Department of Administration (ADOA) consisting of 3,243 structures, (2) the Arizona Department of Transportation (ADOT) consisting of 1,264 structures, and (3) the Arizona Board of Regents (ABOR) consisting of 902 structures. In sum, Building Renewal is responsible for 5,409 structures.

Formula Funding

Building Renewal appropriations are based on the Sherman-Dergis formula. This formula takes into account the replacement value, age, and life-cycle of a building. Under the assumptions used by the Joint Committee on Capital Review (JCCR), this formula typically equates to approximately 1% of the replacement value of the buildings.

Other states use a variety of mechanisms for funding building renewal. A National Association of State Budget Officers survey from 1999 indicated other funding methods included dedicated funding sources, a percentage of building replacement values, a portion of rent charges, or a percentage of the General Fund. In most instances, funding for building renewal competes with other budget issues for funding.

In 1990, the Federal Construction Council, a group of 14 federal agencies, asked the Building Research Board (BRB) to undertake a review of the operation, maintenance, and repair activities of federal facilities. The BRB selected a 9-member committee with broad expertise and extensive experience from the public and private sectors to conduct the study. Based upon the committee's experience and judgment, it agreed that as a rule-of-thumb maintenance and repair funding should range between 2-4% of the current replacement value.

A 2004 article published concerning the Department of Energy (DOE), stated that along with NASA it uses an adaptation of the Department of Defense developed Facilities [Sustainment] Model for measuring facilities maintenance requirements. A committee for DOE concluded that although funding at the rule-of-thumb 2-4% replacement value is used as a performance measurement, it does not form a complete measurement system. In essence, a complete measurement system would need to maintain more detail about the condition and needs of each building.

Appropriated Funding

Available appropriations are administered separately by the 3 building systems. In the case of ADOA, some individual agencies that have their own funding source administer the building renewal funding. The 3 agencies within the ADOA building system that have their own funding source are the Exposition and State Fair Board, the Game and Fish Department, and the State Lottery Commission. The total appropriation for Building Renewal in FY 2009 is $12,702,200. This amount represents funding for the ADOA, ADOT, and ABOR building systems. *Table 1* details the FY 2009 Building Renewal Funding.

Table 1

FY 2009 Building Renewal

Arizona Department of Administration	
Capital Outlay Stabilization Fund @ 20%	$6,100,000
Exposition and State Fair Fund @ 100%	1,794,300
Game and Fish Fund @ 100%	531,000
State Lottery Fund @ 100%	68,000
Subtotal – ADOA	$8,493,300
Arizona Department of Transportation	
State Highway Fund @ 50%	$4,052,000
State Aviation Fund @ 100%	156,900
Subtotal – ADOT	$4,208,900
Arizona Board of Regents	
General Fund @ 0%	$0
Total	**$12,702,200**

Funding History

Over the last 10 years, the ADOA building system has been appropriated an average of 22% of its recommended formula funding.

Funding for ADOA building renewal has traditionally come from the Capital Outlay Stabilization Fund (COSF), which receives revenue from agency rent charges. After allocations are made for ADOA operating expenses, the remainder of COSF is usually applied to building renewal. Historically, available COSF monies are insufficient to fully fund the Sherman-Dergis formula. *Table 2* displays the 10-year funding history for Building Renewal in the ADOA building system.

Table 2

ADOA Building System
Building Renewal
10-Year Funding History
($ in Millions)

FY	Formula	Funding	% of Formula
2000	14.8	3.4	23%
2001	16.1	3.7	23%
2002	18.1	6.5	36%
2003	18.8	3.1	16%
2004	19.0	3.5	18%
2005	19.9	3.5	18%
2006	22.9	3.4	15%
2007	25.4	7.3	29%
2008	27.9	7.3	26%
2009	30.5	6.1	20%
Total	**$213.4**	**$47.8**	**22% Avg.**

Over the last 10 years, the ADOT building system has been appropriated an average of 70% of its recommended formula funding.

Funding for ADOT building renewal comes primarily from the State Highway Fund, but also includes a small component (less than $160,000) from the State Aviation Fund. *Table 3* displays the 10-year funding history for Building Renewal in the ADOT building system.

Table 3

ADOT Building System
Building Renewal
10-Year Funding History
($ in Millions)

FY	Formula	Funding	% of Formula
2000	2.3	2.3	100%
2001	2.5	2.5	100%
2002	2.7	1.6	59%
2003	2.8	1.6	57%
2004	3.2	1.6	50%
2005	3.3	2.8	85%
2006	3.7	3.7	100%
2007	7.2	3.7	50%
2008	7.7	3.9	50%
2009	8.4	4.2	50%
Total	**$43.8**	**$27.9**	**70% Avg.**

Note: In FY 2007 ADOT made revisions to its building renewal calculation that generated a 94% increase.

Over the last 10 years, the ABOR building system has been funded at an average of 8% of its recommended formula funding.

Funding for ABOR building renewal has historically come from the General Fund. *Table 4* displays the 10-year funding history for Building Renewal in the ABOR building system.

Table 4

ABOR Building System
Building Renewal
10-Year Funding History
($ in Millions)

FY	Formula	Funding	% of Formula
2000	35.2	8.1	23%
2001	38.3	8.8	23%
2002	42.3	-	0%
2003	45.6	-	0%
2004	52.1	See note	0%
2005	55.9	See note	0%
2006	59.0	See note	0%
2007	69.0	20.0	29%
2008	71.5	0	0%
2009	82.9	0	0%
Total	**$551.8**	**$36.9**	**8% Avg.**

Note: Beginning in FY 2004, the ABOR building system began using long-term financing (bonds) to fund building renewal needs. Since then, the university system has dedicated a total of $139,700,000 in bond proceeds to fund Building Renewal.