

STATE OF ARIZONA

Joint Committee on Capital Review

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RUSSELL K. PEARCE
STEPHEN TULLY

MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW3

Tuesday, February 22, 2005

The Vice-Chairman called the meeting to order at 8:10 a.m. Tuesday, February 22, 2005 in Senate Appropriations Room 109 and attendance was as follows:

Members:	Senator Cannell	Representative Pearce, Vice-Chairman
	Senator Gould	Representative A. Aguirre
	Senator Johnson	Representative Biggs
		Representative Boone
		Representative Brown
		Representative Lopes
		Representative Tully

Absent: Senator Burns, Chairman
Senator L. Aguirre
Senator Bee
Senator Giffords

CONSIDER ADOPTION OF FY 2006 CAPITAL OUTLAY BUDGET

Mr. Lorenzo Martinez, JLBC Staff presented the Capital Outlay Budget. There are 3 building systems that have been approved by the Joint Committee on Capital Review (JCCR). The Arizona Department of Administration, (ADOA) Building System, Arizona Board of Regents (ABOR) Building System and the Arizona Department of Transportation (ADOT) Building System.

The ADOA has approximately 2,800 facilities, 19.5 million square feet, and there is an estimated replacement value of approximately \$2.2 billion. The ABOR has just under 900 facilities, 19.8 million square feet and estimated replacement value at \$4.2 billion. These represent academic and support facilities and there is an additional approximately \$1 billion in what is called auxiliary facilities for self supported programs. The Department of Transportation has over 1,400 facilities, 3.5 million square feet with an estimated replacement value at just under \$290 million.

The Capital Budget has two major components, the first being Building Renewal and the second being individual Capital Projects. Building Renewal is the major maintenance and repair of buildings. The funding requirement for building renewal is determined by formula and that formula takes into account the age of the building, the building replacement value and assumes a useful 50-year life for the buildings. Funding is traditionally based on available fund sources. JCCR review is required of the expenditure plans for any monies appropriated for building renewal. The second component is individual capital projects and these are funded on a case by case basis. Capital requests are submitted by agencies every year similar to the operating budget. The JCCR review is required for projects that have a cost of over \$250,000, however, the Committee does have discretion to review any capital projects.

Senator Gould asked where the State Aviation Fund gets its money. Mr. Martinez said the primary revenue source for the fund is airport property tax, which is know as the Flight Property Tax and is paid by airports and from aircraft license fees.

Mr. Martinez proceeded to review the Building Renewal and New Projects for ADOA, ABOR and ADOT as he referred to the JCCR memo and handout.

In response to Senator Gould, Bob Hull, JLBC Staff said it is called the Flight Property Tax and it is paid by airlines on the aircraft equipment.

Senator Johnson asked how much ADOT debt there was. Mr. Martinez said there is \$1.8 billion in outstanding debt and the total payment is approximately \$260 million for debt service. There is approximately \$70 million coming from the appropriated component and about \$190 million from the non-appropriated component.

Senator Johnson asked if the debt service was all coming out of the Highway User Revenue Fund (HURF). Mr. Martinez said that it comes from a variety of sources. The \$70 million appropriated component comes from the State Highway Fund and there is the Regional Area Road Fund (RARF) that comes from a different non-appropriated source.

Bob Hull referred to footnote #3 in Table 1 on Page 502 of backup material to the JCCR memo which gives a breakdown of the \$260 million of debt service and where it is paid from including the \$69 million that is appropriated.

Senator Johnson asked if we are paying less out to build highways than we are in bond debt. Mr. Martinez said that it is a mix when it comes to state highway funding. The \$56 million from the State Highway Fund is available for highway funding but the Transportation Board also uses bonding to finance projects as well as other sources that they have. Mr. Martinez again referred to the footnote #3 in Table 1.

Senator Johnson asked out of the \$520 million construction, is there bonding for part of that amount. Mr. Hull said yes.

In response to Senator Cannell, Mr. Martinez stated the funding source for the Board of Regents building renewal has traditionally been the General Fund.

Representative Boone moved that the Committee approve the JLBC recommendation to the Capital Outlay budget for FY 2006 including footnotes, format and statutory changes if applicable in the budget legislation. The motion carried.

Without objection the Committee meeting adjourned at 8:45 a.m.

Respectfully submitted:

Jan Belisle, Secretary

Lorenzo Martinez, Assistant Director

Representative Russell Pearce, Vice-Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.