House Engrossed

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

CHAPTER 328

HOUSE BILL 2547

AN ACT

AMENDING SECTION 15-1670, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 13, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1671; RELATING TO UNIVERSITY FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 15-1670, Arizona Revised Statutes, is amended to read:

15-1670. Appropriations for university research infrastructure facilities; university deposits; annual report; definitions

A. In fiscal years 2007-2008 through 2016-2017, the following sums are appropriated each year from the state general fund to the respective universities for lease-purchase capital financing for research infrastructure projects:

1. $14,472,000 to Arizona state university.
2. $14,253,000 to the university of Arizona.
3. $5,900,000 to northern Arizona university.

B. In fiscal years 2017-2018 through 2030-2031, the following sums are appropriated from the state general fund to Arizona state university for lease-purchase capital financing for research infrastructure projects:

1. In fiscal year 2017-2018, $13,481,000.
10. In fiscal year 2026-2027, $13,450,100.
12. In fiscal year 2028-2029, $13,430,800.

C. In fiscal years 2017-2018 through 2030-2031, the following sums are appropriated from the state general fund to the university of Arizona for lease-purchase capital financing for research infrastructure projects:

1. In fiscal year 2017-2018, $14,249,300.
2. In fiscal year 2018-2019, $14,251,000.
5. In fiscal year 2021-2022, $14,248,900.
8. In fiscal year 2024-2025, $14,247,300.
10. In fiscal year 2026-2027, $14,251,300.
11. In fiscal year 2027-2028, $14,254,100.
12. In fiscal year 2028-2029, $14,251,500.
13. In fiscal year 2029-2030, $14,252,500.

D. In fiscal years 2017-2018 through 2030-2031, the following sums are appropriated from the state general fund to northern Arizona university for lease-purchase capital financing for research infrastructure projects:

5. In fiscal year 2021-2022, $5,039,800.
10. In fiscal year 2026-2027, $4,884,300.
11. In fiscal year 2027-2028, $4,894,000.
12. In fiscal year 2028-2029, $4,888,400.
13. In fiscal year 2029-2030, $4,892,000.

E. Lease-purchase financing agreements under subsections A, B, C and D of this section:
1. Must be entered into before July 1, 2006.
2. Are subject to the requirements of section 15-1682.01.

F. The appropriations under subsections A, B, C and D of this section constitute continuing year-to-year appropriations but do not constitute an obligation of the legislature or this state to continue the appropriation in any fiscal year. The annual appropriation is a current expense of this state in the fiscal year in which it occurs and is not a general obligation indebtedness of this state or of any university. If the appropriation is discontinued in any fiscal year, this state and the university are relieved of any subsequent obligation pursuant to this section.

G. Beginning in fiscal year 2007-2008 and in each subsequent fiscal year for which an appropriation is made pursuant to subsections A, B, C and D of this section, each university shall deposit with the state treasurer in the state general fund an amount equal to:
1. Twenty percent of the income from licensure and royalty payments received by the university during the preceding fiscal year.
2. Twenty-five percent of the income received by the university during the preceding fiscal year from the sale or transfer of intellectual property developed by the university.
3. If a constitutional amendment authorizing ownerships and securities by the Arizona board of regents is approved by the qualified
electors voting at a statewide general election, thirty percent of the
income received in the preceding fiscal year resulting from the conveyance
of ownership interests in business enterprises acquired to develop
technology or intellectual property based in whole or in part on the
university's research, technology or intellectual property.

H. NOTWITHSTANDING SUBSECTION G OF THIS SECTION, FOR EACH LICENSURE
AGREEMENT, ROYALTY AGREEMENT OR AGREEMENT FOR THE SALE OR TRANSFER OF
INTELLECTUAL PROPERTY DEVELOPED BY A UNIVERSITY THAT IS ENTERED INTO BY
THE UNIVERSITY OR A COMPONENT UNIT OF THE UNIVERSITY FROM AND AFTER APRIL
30, 2017, THE UNIVERSITY SHALL DEPOSIT NOT LATER THAN OCTOBER 1 WITH THE
STATE TREASURER IN THE STATE GENERAL FUND:

1. FOR THE FIRST THREE YEARS OF THE LICENSURE OR ROYALTY AGREEMENT,
AN AMOUNT EQUAL TO TWENTY PERCENT OF THE NET INCOME FROM LICENSURE AND
ROYALTY PAYMENTS FOR THE AGREEMENT RECEIVED BY THE UNIVERSITY OR ANY
COMPONENT UNIT OF THE UNIVERSITY DURING THE PRECEDING FISCAL YEAR.
2. FOR EACH YEAR AFTER THE FIRST THREE YEARS OF THE LICENSURE OR
ROYALTY AGREEMENT, AN AMOUNT EQUAL TO TWENTY PERCENT OF THE GROSS REVENUES
FROM LICENSURE AND ROYALTY PAYMENTS FOR THE AGREEMENT RECEIVED BY THE
UNIVERSITY OR ANY COMPONENT UNIT OF THE UNIVERSITY DURING THE PRECEDING
FISCAL YEAR.

3. AN AMOUNT EQUAL TO TWENTY-FIVE PERCENT OF THE GROSS REVENUES
RECEIVED BY THE UNIVERSITY OR ANY COMPONENT UNIT OF THE UNIVERSITY DURING
THE PRECEDING FISCAL YEAR FROM THE SALE OR TRANSFER OF INTELLECTUAL
PROPERTY DEVELOPED BY THE UNIVERSITY.

I. WHEN CALCULATING INCOME PURSUANT TO SUBSECTION G OF THIS SECTION
AND NET INCOME AND GROSS REVENUES PURSUANT TO SUBSECTION H OF THIS
SECTION, EACH UNIVERSITY SHALL CALCULATE AMOUNTS RECEIVED IN THE PRIOR
FISCAL YEAR AND MAY NOT INCLUDE CUMULATIVE LOSSES FROM OTHER FISCAL YEARS.
WHEN CALCULATING NET INCOME AND GROSS REVENUES PURSUANT TO SUBSECTION H OF
THIS SECTION, THE UNIVERSITY MAY NOT REDUCE ITS REQUIRED DEPOSITS FROM ANY
AGREEMENTS DUE TO NET INCOME ASSOCIATED WITH OTHER PROJECTS.

J. The aggregate amount transferred in each fiscal year for
deposit in the state general fund by all universities from all EACH
UNIVERSITY FROM sources listed under subsection IN SUBSECTIONS G, H
AND H of this section shall not exceed the aggregate amounts AMOUNT appropriated
in that fiscal year under subsections SUBSECTION A, B, C AND OR D of this
section AND SECTION 15-1671, SUBSECTIONS B AND C, RESPECTIVELY. IF
amounts under subsection G of this section would otherwise exceed the
limit prescribed by this subsection, the deposited amounts shall be
proportionately reduced for each university.

K. On or before October 1 of each year, each university shall
report to the joint legislative budget committee the total amount of
income, NET INCOME AND GROSS REVENUES the university received in the
preceding fiscal year from each category of income that is subject to
deposit pursuant to subsection G OR H of this section.
For the purposes of this section:

1. "COMPONENT UNIT OF THE UNIVERSITY":
   (a) MEANS AN ENTITY THAT IS LEGALLY SEPARATE FROM, BUT RELATED TO, THE UNIVERSITY AND WHOSE PRIMARY PURPOSE IS TO SUPPORT THE UNIVERSITY.
   (b) INCLUDES A UNIVERSITY FOUNDATION AND AN ENTITY THAT CONTRACTS WITH THE UNIVERSITY TO MANAGE TECHNOLOGY TRANSFER ACTIVITIES.

2. "Research infrastructure" means installations and facilities for continuance and growth of scientific and technological research activities at the university.

Sec. 2. Title 15, chapter 13, article 4, Arizona Revised Statutes, is amended by adding section 15-1671, to read:

15-1671. University infrastructure capital financing; capital infrastructure funds; appropriations; uses; review; definitions

A. A CAPITAL INFRASTRUCTURE FUND IS ESTABLISHED FOR EACH UNIVERSITY. MONIES IN EACH CAPITAL INFRASTRUCTURE FUND ARE CONTINUOUSLY APPROPRIATED FOR THE PURPOSES OF THIS SECTION. EACH UNIVERSITY SHALL ADMINISTER ITS OWN CAPITAL INFRASTRUCTURE FUND. MONIES IN THE CAPITAL INFRASTRUCTURE FUNDS ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

B. IN FISCAL YEAR 2018-2019, THE FOLLOWING AMOUNTS ARE APPROPRIATED FROM THE STATE GENERAL FUND FOR DEPOSIT IN THE CAPITAL INFRASTRUCTURE FUND OF EACH UNIVERSITY:
   1. $11,927,400 TO ARIZONA STATE UNIVERSITY.
   2. $10,551,700 TO THE UNIVERSITY OF ARIZONA.
   3. $4,520,900 TO NORTHERN ARIZONA UNIVERSITY.

C. IN FISCAL YEARS 2019-2020 THROUGH 2042-2043, AN AMOUNT IS APPROPRIATED ANNUALLY FROM THE STATE GENERAL FUND FOR DEPOSIT IN THE CAPITAL INFRASTRUCTURE FUND OF EACH UNIVERSITY. THE AMOUNT APPROPRIATED EACH FISCAL YEAR IS EQUAL TO THE AMOUNT APPROPRIATED PURSUANT TO THIS SECTION IN THE PRECEDING FISCAL YEAR, ADJUSTED BY A GROWTH RATE OF EITHER TWO PERCENT OR THE CHANGE IN THE GDP PRICE DEFLATOR AS DEFINED IN SECTION 41-563, FROM THE SECOND PRECEDING CALENDAR YEAR TO THE CALENDAR YEAR IMMEDIATELY PRECEDING THE FISCAL YEAR, WHICHEVER IS LESS, BUT NOT BELOW THE AMOUNT APPROPRIATED IN THE PRECEDING FISCAL YEAR. EACH ANNUAL APPROPRIATION AMOUNT IS A CURRENT EXPENSE OF THIS STATE IN THE FISCAL YEAR IN WHICH IT OCCURS AND IS NOT A GENERAL OBLIGATION INDEBTEDNESS OF THIS STATE OR OF ANY UNIVERSITY.

D. IN EACH FISCAL YEAR IN WHICH MONIES ARE APPROPRIATED PURSUANT TO THIS SECTION, EACH RESPECTIVE UNIVERSITY SHALL ALSO DEPOSIT FROM ITS OWN FUNDS TO ITS CAPITAL INFRASTRUCTURE FUND A MATCHING AMOUNT EQUAL TO THE AMOUNT OF GENERAL FUND MONIES USED FOR PAYING DEBT SERVICE ON DEBT FINANCING FOR CAPITAL PROJECTS PURSUANT TO SUBSECTION E OF THIS SECTION.
E. EACH UNIVERSITY SHALL USE THE MONIES IN ITS CAPITAL INFRASTRUCTURE FUND, FROM WHATEVER SOURCE, EXCLUSIVELY FOR EITHER THE COSTS OF, OR PAYING DEBT SERVICE ON DEBT FINANCING FOR, CAPITAL PROJECTS. MONIES FROM THE CAPITAL INFRASTRUCTURE FUNDS ESTABLISHED BY THIS SECTION MAY NOT BE USED:

1. FOR ANY PROJECT REVIEWED BY THE JOINT COMMITTEE ON CAPITAL REVIEW BEFORE APRIL 15, 2017.
2. FOR THE CONSTRUCTION, USE, FURNISHING, IMPROVEMENT, OPERATION, MARKETING, PROMOTION OR MAINTENANCE OF A FACILITY THAT IS USED PRIMARILY BY A PROFESSIONAL SPORTS FRANCHISE.
3. TO PAY FOR OPERATING EXPENDITURES.

F. THE ARIZONA BOARD OF REGENTS SHALL NOT ISSUE TOTAL DEBT FINANCING FOR WHICH DEBT SERVICE IS PAID WITH MONIES PURSUANT TO THIS SECTION IN A PRINCIPAL AMOUNT OF MORE THAN ONE BILLION DOLLARS.

G. EACH UNIVERSITY SHALL REPORT THE REQUIRED INFORMATION RELATING TO ITS CAPITAL INFRASTRUCTURE FUND IN THE BUDGET ESTIMATE FILED BY THE UNIVERSITY PURSUANT TO SECTION 35-113.

H. BEFORE ANY EXPENDITURE OF MONIES IN THE CAPITAL INFRASTRUCTURE FUND FOR ANY CAPITAL PROJECT NOT PAID WITH DEBT FINANCING, EACH UNIVERSITY SHALL SUBMIT THE SCOPE, PURPOSE AND ESTIMATED COST OF THE PROJECT FOR REVIEW BY THE JOINT COMMITTEE ON CAPITAL REVIEW PURSUANT TO SECTION 41-1252.

I. BEFORE ANY EXPENDITURE OF MONIES IN THE CAPITAL INFRASTRUCTURE FUND FOR ANY CAPITAL PROJECT PAID WITH DEBT FINANCING, EACH UNIVERSITY SHALL SUBMIT THE SCOPE, PURPOSE AND ESTIMATED COST OF THE PROJECT TO THE JOINT COMMITTEE ON CAPITAL REVIEW PURSUANT TO SECTION 15-1682.01 OR 15-1683. THE PROJECT MAY NOT PROCEED UNTIL THE COMMITTEE APPROVES THE PROJECT BY A MAJORITY VOTE OF A QUORUM OF MEMBERS.

J. THE JOINT COMMITTEE ON CAPITAL REVIEW MUST HEAR AND REVIEW A PROJECT SUBMITTED UNDER SUBSECTION H OF THIS SECTION AND HEAR AND APPROVE OR DISAPPROVE A PROJECT SUBMITTED UNDER SUBSECTION I OF THIS SECTION NOT LATER THAN THE COMMITTEE'S SECOND MEETING AFTER THE PROJECT IS SUBMITTED TO THE COMMITTEE.

K. THE ARIZONA BOARD OF REGENTS, ON BEHALF OF EACH UNIVERSITY UNDER ITS JURISDICTION, MAY ENTER INTO OR ISSUE DEBT FINANCINGS AND MAY ADDITIONALLY SECURE, PLEDGE FOR OR MAKE PAYMENT ON SUCH DEBT FINANCINGS IN WHOLE OR IN PART FROM MONIES IN THE CAPITAL INFRASTRUCTURE FUND OF THAT UNIVERSITY. DEBT SERVICE PAYMENTS FUNDED WITH MONIES FROM A UNIVERSITY'S CAPITAL INFRASTRUCTURE FUND SHALL BE INCLUDED IN THE CALCULATION OF THAT UNIVERSITY'S DEBT SERVICE LIMIT AS PRESCRIBED BY SECTION 15-1683.

L. THE ARIZONA BOARD OF REGENTS, ON BEHALF OF EACH UNIVERSITY UNDER ITS JURISDICTION, MAY REFUND ANY DEBT FINANCING PAID WITH MONIES PURSUANT TO THIS SECTION. THE REFUNDING DEBT FINANCING MUST BE SECURED FROM THE SAME SOURCE OF REVENUES AS THE DEBT FINANCING AUTHORIZED BY THIS SECTION. THE REFUNDING DEBT FINANCING MAY BE ISSUED AT OR BEFORE MATURITY OF THE
DEBT FINANCING BEING REFUNDED. REFUNDING DEBT FINANCING ISSUED AS PROVIDED BY THIS SUBSECTION:

1. MUST BE SUBMITTED BY THE BOARD FOR REVIEW BY THE JOINT COMMITTEE ON CAPITAL REVIEW. THE COMMITTEE MUST HEAR AND REVIEW A REFUNDING DEBT FINANCING SUBMITTED PURSUANT TO THIS SUBSECTION NOT LATER THAN THE COMMITTEE'S SECOND MEETING AFTER THE REFUNDING DEBT FINANCING IS SUBMITTED TO THE COMMITTEE.

2. IS NOT SUBJECT TO THE ONE BILLION DOLLAR LIMITATION PRESCRIBED BY SUBSECTION F OF THIS SECTION.

M. FOR THE PURPOSES OF THIS SECTION:

1. "CAPITAL PROJECT" OR "PROJECT" MEANS ANY BUILDING, STRUCTURE, INFRASTRUCTURE OR FACILITY THAT, AS DETERMINED BY THE UNIVERSITY, IS REQUIRED BY OR NECESSARY FOR THE USE OR BENEFIT OF THE UNIVERSITY, INCLUDING APPURtenant EQUIPMENT AND UTILITIES. CAPITAL PROJECT DOES NOT INCLUDE A PROJECT THAT IS INTENDED TO BE COMMERCIAL IN NATURE AND FOR WHICH THE MAJORITY OF THE PROJECT'S BUSINESS IS ANTICIPATED TO COME FROM THE NONUNIVERSITY POPULATION.

2. "DEBT FINANCING" MEANS A LEASE-PURCHASE OR LEASE-TO-OVER AGREEMENT, SUBJECT TO SECTION 15-1682.01, THE ISSUANCE OF BONDS OR THE ENTERING INTO OF BOND AGREEMENTS PURSUANT TO ARTICLE 5 OF THIS CHAPTER BY THE ARIZONA BOARD OF REGENTS ON BEHALF OF A UNIVERSITY UNDER THE BOARD'S JURISDICTION.


4. "INFRASTRUCTURE" MEANS NONBUILDING IMPROVEMENTS THAT DIRECTLY SUPPORT THE OPERATION OF A BUILDING, STRUCTURE OR FACILITY SUCH AS UTILITY SYSTEMS, ROADWAY SYSTEMS, EXTERNAL LIGHTING SYSTEMS, IRRIGATION SYSTEMS, SIDEWALKS AND PARKING LOTS.

APPROVED BY THE GOVERNOR MAY 22, 2017.