

REFERENCE TITLE: university infrastructure capital financing; appropriations.

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

## **HB 2547**

Introduced by  
Representative Boyer

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)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 15-1670, Arizona Revised Statutes, is amended to  
3 read:

4 15-1670. Appropriations for university research  
5 infrastructure facilities; university deposits;  
6 annual report; definitions

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

- 11 1. \$14,472,000 to Arizona state university.
- 12 2. \$14,253,000 to the university of Arizona.
- 13 3. \$5,900,000 to northern Arizona university.

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

- 17 1. In fiscal year 2017-2018, \$13,481,000.
- 18 2. In fiscal year 2018-2019, \$13,478,700.
- 19 3. In fiscal year 2019-2020, \$13,456,300.
- 20 4. In fiscal year 2020-2021, \$13,458,700.
- 21 5. In fiscal year 2021-2022, \$13,451,900.
- 22 6. In fiscal year 2022-2023, \$13,462,100.
- 23 7. In fiscal year 2023-2024, \$13,468,200.
- 24 8. In fiscal year 2024-2025, \$13,459,300.
- 25 9. In fiscal year 2025-2026, \$13,453,900.
- 26 10. In fiscal year 2026-2027, \$13,450,100.
- 27 11. In fiscal year 2027-2028, \$13,436,200.
- 28 12. In fiscal year 2028-2029, \$13,430,800.
- 29 13. In fiscal year 2029-2030, \$13,423,500.
- 30 14. In fiscal year 2030-2031, \$13,428,800.

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

- 34 1. In fiscal year 2017-2018, \$14,249,300.
- 35 2. In fiscal year 2018-2019, \$14,251,000.
- 36 3. In fiscal year 2019-2020, \$14,250,200.
- 37 4. In fiscal year 2020-2021, \$14,251,500.
- 38 5. In fiscal year 2021-2022, \$14,248,900.
- 39 6. In fiscal year 2022-2023, \$14,252,500.
- 40 7. In fiscal year 2023-2024, \$14,255,300.
- 41 8. In fiscal year 2024-2025, \$14,247,300.
- 42 9. In fiscal year 2025-2026, \$14,248,400.
- 43 10. In fiscal year 2026-2027, \$14,251,300.
- 44 11. In fiscal year 2027-2028, \$14,254,100.
- 45 12. In fiscal year 2028-2029, \$14,251,500.

1           13. In fiscal year 2029-2030, \$14,252,500.

2           14. In fiscal year 2030-2031, \$14,255,800.

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

7           1. In fiscal year 2017-2018, \$5,896,500.

8           2. In fiscal year 2018-2019, \$5,896,200.

9           3. In fiscal year 2019-2020, \$5,899,500.

10          4. In fiscal year 2020-2021, \$4,879,500.

11          5. In fiscal year 2021-2022, \$5,039,800.

12          6. In fiscal year 2022-2023, \$5,301,500.

13          7. In fiscal year 2023-2024, \$5,302,900.

14          8. In fiscal year 2024-2025, \$4,885,500.

15          9. In fiscal year 2025-2026, \$4,884,500.

16          10. In fiscal year 2026-2027, \$4,884,300.

17          11. In fiscal year 2027-2028, \$4,894,000.

18          12. In fiscal year 2028-2029, \$4,888,400.

19          13. In fiscal year 2029-2030, \$4,892,000.

20          14. In fiscal year 2030-2031, \$4,889,300.

21          E. Lease-purchase financing agreements under subsections A, B, C  
22 and D of this section:

23           1. Must be entered into before July 1, 2006.

24           2. Are subject to the requirements of section 15-1682.01.

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

34          G. Beginning in fiscal year 2007-2008 and in each subsequent fiscal  
35 year for which an appropriation is made pursuant to subsections A, B, C  
36 and D of this section, each university shall deposit ~~no~~ NOT later than  
37 October 1 with the state treasurer in the state general fund an amount  
38 equal to:

39           1. Twenty percent of the income from licensure and royalty payments  
40 received by the university during the preceding fiscal year.

41           2. Twenty-five percent of the income received by the university  
42 during the preceding fiscal year from the sale or transfer of intellectual  
43 property developed by the university.

44           ~~3. If a constitutional amendment authorizing ownerships and~~  
45 ~~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.

~~H. 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, 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.~~

~~I. 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.~~

1           ~~+~~ L. For the purposes of this section: ~~—~~

2           1. "COMPONENT UNIT OF THE UNIVERSITY":

3           (a) MEANS AN ENTITY THAT IS LEGALLY SEPARATE FROM, BUT RELATED TO,  
4 THE UNIVERSITY AND WHOSE PRIMARY PURPOSE IS TO SUPPORT THE UNIVERSITY.

5           (b) INCLUDES A UNIVERSITY FOUNDATION AND AN ENTITY THAT CONTRACTS  
6 WITH THE UNIVERSITY TO MANAGE TECHNOLOGY TRANSFER ACTIVITIES.

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

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

12           15-1671. University infrastructure capital financing; capital  
13                                   infrastructure funds; appropriations; uses;  
14                                   review; definitions

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

21           B. IN FISCAL YEAR 2018-2019, THE FOLLOWING AMOUNTS ARE APPROPRIATED  
22 FROM THE STATE GENERAL FUND FOR DEPOSIT IN THE CAPITAL INFRASTRUCTURE FUND  
23 OF EACH UNIVERSITY:

- 24           1. \$11,927,400 TO ARIZONA STATE UNIVERSITY.
- 25           2. \$10,551,700 TO THE UNIVERSITY OF ARIZONA.
- 26           3. \$4,520,900 TO NORTHERN ARIZONA UNIVERSITY.

27           C. IN FISCAL YEARS 2019-2020 THROUGH 2042-2043, AN AMOUNT IS  
28 APPROPRIATED ANNUALLY FROM THE STATE GENERAL FUND FOR DEPOSIT IN THE  
29 CAPITAL INFRASTRUCTURE FUND OF EACH UNIVERSITY. THE AMOUNT APPROPRIATED  
30 EACH FISCAL YEAR IS EQUAL TO THE AMOUNT APPROPRIATED PURSUANT TO THIS  
31 SECTION IN THE PRECEDING FISCAL YEAR, ADJUSTED BY A GROWTH RATE OF EITHER  
32 TWO PERCENT OR THE CHANGE IN THE GDP PRICE DEFLATOR AS DEFINED IN SECTION  
33 41-563, FROM THE SECOND PRECEDING CALENDAR YEAR TO THE CALENDAR YEAR  
34 IMMEDIATELY PRECEDING THE FISCAL YEAR, WHICHEVER IS LESS, BUT NOT BELOW  
35 THE AMOUNT APPROPRIATED IN THE PRECEDING FISCAL YEAR. EACH ANNUAL  
36 APPROPRIATION AMOUNT IS A CURRENT EXPENSE OF THIS STATE IN THE FISCAL YEAR  
37 IN WHICH IT OCCURS AND IS NOT A GENERAL OBLIGATION INDEBTEDNESS OF THIS  
38 STATE OR OF ANY UNIVERSITY.

39           D. IN EACH FISCAL YEAR IN WHICH MONIES ARE APPROPRIATED PURSUANT TO  
40 THIS SECTION, EACH RESPECTIVE UNIVERSITY SHALL ALSO DEPOSIT FROM ITS OWN  
41 FUNDS TO ITS CAPITAL INFRASTRUCTURE FUND A MATCHING AMOUNT EQUAL TO THE  
42 AMOUNT OF GENERAL FUND MONIES USED FOR PAYING DEBT SERVICE ON DEBT  
43 FINANCING FOR CAPITAL PROJECTS PURSUANT TO SUBSECTION E OF THIS SECTION.

44           E. EACH UNIVERSITY SHALL USE THE MONIES IN ITS CAPITAL  
45 INFRASTRUCTURE FUND, FROM WHATEVER SOURCE, EXCLUSIVELY FOR EITHER THE

1 COSTS OF, OR PAYING DEBT SERVICE ON DEBT FINANCING FOR, CAPITAL PROJECTS.  
2 MONIES FROM THE CAPITAL INFRASTRUCTURE FUNDS ESTABLISHED BY THIS SECTION  
3 MAY NOT BE USED:

4 1. FOR ANY PROJECT REVIEWED BY THE JOINT COMMITTEE ON CAPITAL  
5 REVIEW BEFORE APRIL 15, 2017.

6 2. FOR THE CONSTRUCTION, USE, FURNISHING, IMPROVEMENT, OPERATION,  
7 MARKETING, PROMOTION OR MAINTENANCE OF A FACILITY THAT IS USED PRIMARILY  
8 BY A PROFESSIONAL SPORTS FRANCHISE.

9 3. TO PAY FOR OPERATING EXPENDITURES.

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

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

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

21 I. BEFORE ANY EXPENDITURE OF MONIES IN THE CAPITAL INFRASTRUCTURE  
22 FUND FOR ANY CAPITAL PROJECT PAID WITH DEBT FINANCING, EACH UNIVERSITY  
23 SHALL SUBMIT THE SCOPE, PURPOSE AND ESTIMATED COST OF THE PROJECT TO THE  
24 JOINT COMMITTEE ON CAPITAL REVIEW PURSUANT TO SECTION 15-1682.01 OR  
25 15-1683. THE PROJECT MAY NOT PROCEED UNTIL THE COMMITTEE APPROVES THE  
26 PROJECT BY A MAJORITY VOTE OF A QUORUM OF MEMBERS.

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

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

39 L. FOR THE PURPOSES OF THIS SECTION:

40 1. "CAPITAL PROJECT" OR "PROJECT" MEANS ANY BUILDING, STRUCTURE,  
41 INFRASTRUCTURE OR FACILITY THAT, AS DETERMINED BY THE UNIVERSITY, IS  
42 REQUIRED BY OR NECESSARY FOR THE USE OR BENEFIT OF THE UNIVERSITY,  
43 INCLUDING APPURTENANT EQUIPMENT AND UTILITIES. CAPITAL PROJECT DOES NOT  
44 INCLUDE A PROJECT THAT IS INTENDED TO BE COMMERCIAL IN NATURE AND FOR

1 WHICH THE MAJORITY OF THE PROJECT'S BUSINESS IS ANTICIPATED TO COME FROM  
2 THE NONUNIVERSITY POPULATION.

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

8 3. "DEBT SERVICE" MEANS THE PRINCIPAL OF AND INTEREST AND PREMIUM,  
9 IF ANY, ON LONG-TERM INDEBTEDNESS, WHEN DUE, AND THE COSTS OF REGISTRARS,  
10 TRUSTEES, UNDERWRITERS AND OTHER AGENTS NECESSARY TO HANDLE DEBT  
11 INSTRUMENTS AND THE COSTS OF CREDIT ENHANCEMENT OR LIQUIDITY SUPPORT.

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