REFERENCE TITLE: management; state buildings; 2025-2026

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SB 1746

Introduced by
Senator Kavanagh (with permission of Committee on Rules)

AN ACT

AMENDING SECTION 41-792.01, ARIZONA REVISED STATUTES; RELATING TO THE MANAGEMENT OF STATE BUILDINGS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 41-792.01, Arizona Revised Statutes, is amended to read:

41-792.01. Capital outlay stabilization fund; authorization for collection of rental; basis of payment; report; distribution of monies collected; transfer of payment; lease-purchase building operating and maintenance fund; definition

A. The capital outlay stabilization fund is established which shall consist of monies paid into it in accordance with subsections D and F of this section and legislative appropriations to the account. All monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. The director shall make a recommendation for the allocation of a varying sum to the capital outlay stabilization fund each year. No part of the fund may be expended without specific appropriation from the legislature.

C. Each state department and each state agency when using space under the jurisdiction of the department as prescribed in section 41-791 or when using space in a building leased to the state shall pay rental and tenant improvement labor costs as prescribed in subsection D, E or F of this section.

D. The rental rates authorized for agencies occupying state-owned buildings shall be determined by the joint committee on capital review after recommendation by the director before July 1 of each even-numbered year. The rental is payable whether the state department or state agency is funded in whole or in part by state monies. The department of administration shall transfer the entire amount of the rental fee assessed on a state agency from the agency account into the capital outlay stabilization fund promptly at the start of each fiscal year. During the remainder of the fiscal year, the department of administration shall calculate pro rata adjustments to the rental fee on a monthly basis to reflect any changes in the occupancy of state-owned buildings. The department of administration shall transfer the amount of the rental fee adjustment assessed on a state agency from the agency account into the capital outlay stabilization fund. The rental fee authorized for state agencies occupying state-owned buildings is the greater of the amount included in each agency's annual operating budget as reported by the staff of the joint legislative budget committee or the pro rata adjusted amount based on actual occupancy. The director of the department of administration may authorize an exemption for periods of one year or more at a time for a state agency from the full payment account transfer requirements of this subsection if the agency can demonstrate a practice of making full payment of rent on a different basis necessitated by its cash flow. If a state agency does not have the financial resources for state-owned space, or does not occupy or vacates state-owned space after the beginning of the fiscal year, the director of the department of administration may authorize a whole or partial exemption from payment of the rental fee. ~~Before authorizing a rental fee exemption~~ ON OR BEFORE JUNE 30 OF EACH YEAR, the department of administration shall SUBMIT A report ~~the proposed rental fee exemption~~ to the staff of the joint legislative budget committee THAT DETAILS ALL RENTAL FEE EXEMPTIONS AUTHORIZED IN THE PRIOR YEAR.

E. The rental authorized for state agencies occupying state-leased buildings shall be the greater of the amount included in each agency's annual operating budget as reported by the staff of the joint legislative budget committee or the pro rata adjusted amount based on actual occupancy. The rental amount shall include the amount necessary to pay the lease or lease-purchase obligation and may include the amount necessary to pay operating costs associated with the lease-purchase buildings. The rental is payable whether the state department or state agency is funded in whole or in part by state monies. At the start of each fiscal year, the department of administration shall transfer the entire amount of the rental fee assessed on a state agency from the agency account into the department of administration's funds established for the purposes of this subsection. The department shall transfer from the applicable state agency budgets to the lease-purchase building operating and maintenance fund established in subsection I of this section amounts necessary to pay all operating costs associated with a lease-purchase building in the amounts reported by the staff of the joint legislative budget committee. During the remainder of the fiscal year, the department of administration shall calculate pro rata adjustments to the rental fee on a monthly basis to reflect any changes in the occupancy of state-leased buildings. The director of the department of administration may authorize an exemption for a state agency from the full payment account transfer requirements of this subsection for one-year periods or longer periods if the agency can demonstrate a practice of making full payment of rent on a different basis necessitated by its cash flow. If a state agency does not have the financial resources for state-leased space, or does not occupy or vacates state-leased space after the beginning of the fiscal year, the director of the department of administration may authorize a whole or partial exemption from payment of the rental fee. Before authorizing a rental fee exemption, the department of administration shall report the proposed rental fee exemption to the staff of the joint legislative budget committee.

F. The department of administration shall charge state agencies for the full costs of labor services it provides to accomplish tenant improvement projects within a building owned by or leased to the state. Charges for this labor shall be deposited in the capital outlay stabilization fund.

G. State universities, community colleges and the department of transportation are exempt from the provisions of this section, except when these state agencies are using space under the jurisdiction of the department of administration.

H. The department of administration shall not begin to charge rental or tenant improvement labor costs as prescribed in subsection D, E or F of this section until July 1, 2012 for any buildings operated by the secretary of state primarily for the purpose of storing, managing or preserving a large amount of public records or archival material.

I. The lease-purchase building operating and maintenance fund is established consisting of monies transferred into it in accordance with subsection E of this section. All monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations. Monies in the fund are subject to legislative appropriation.

J. For the purposes of this section, buildings leased by this state through the sale and lease-back deficit financing mechanism are considered state-owned buildings. State-leased buildings that are subject to subsection E of this section and that meet the requirements of section 41-791, subsection B are subject to subsection D of this section in the fiscal year following the retirement of the lease or lease-purchase debt service financing. On or before September 1 of each year, the department of administration shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on the cost associated with charging rental rates to state agencies with retired leases or lease purchases for the next fiscal year.

K. For the purposes of this section, "state department" or "state agency" means any department or agency of the executive or judicial branch of state government.

Sec. 2. Rental rates; state-owned buildings; fiscal year 2025-2026

Notwithstanding section 41-792.01, subsection D, Arizona Revised Statutes, as amended by this act, the capital outlay stabilization fund rental rates for state-owned buildings in fiscal year 2025-2026 are $17.87 per square foot for office space and $6.43 per square foot for storage space.