REFERENCE TITLE: capital outlay; 2026-2027; appropriations

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1834

Introduced by
Senators Farnsworth: Kavanagh (with permission of Committee on Rules)

AN ACT

AMENDING LAWS 2024, CHAPTER 211, SECTION 6; MAKING CAPITAL OUTLAY APPROPRIATIONS FOR THE DIFFERENT DEPARTMENTS OF THE STATE AND FOR STATE INSTITUTIONS; PROVIDING FOR REVIEW OF CAPITAL OUTLAY PROJECTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Laws 2024, chapter 211, section 6 is amended to read:

Sec. 6. Appropriation reduction; fiscal year 2021-2022; appropriation; fiscal year 2028-2029; department of veterans' services; veterans' home facility; site selection; review; exemption

A. Notwithstanding any other law, the following amounts are reduced from appropriations made to the following state agency in fiscal year 2021-2022 by Laws 2021, chapter 406, section 29 for the following project:

B. DEPARTMENT OF VETERANS' SERVICES

Veterans' home facility	$(25,000,000)
Fund source:	
State general fund	$(25,000,000)

C. The sum of $25,000,000 is appropriated from the state general fund in fiscal year ~~2027-2028~~ 2028-2029 to the department of veterans' services to construct and establish a veterans' home facility in the northwestern portion of this state.

D. The appropriation made in subsection C of this section is intended to be this state's share of the costs and is not subject to expenditure for any purpose unless the department of veterans' services has irrevocable commitments from the United States government to fund at least sixty-five percent of the total costs.

E. The department shall submit the proposed site location in the northwestern portion of this state to the Arizona veterans' service advisory commission established by section 41-602, Arizona Revised Statutes, for approval. The department shall provide the commission a feasibility analysis of suitable sites to consider when approving the site location.

F. Before spending the appropriation made in subsection C of this section, the department of veterans' services shall submit the scope, purpose and estimated cost of the capital improvements to the joint committee on capital review for its review pursuant to section 41-1252, Arizona Revised Statutes.

G. The appropriation made in subsection C of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Building Renewal

Sec. 2. Capital outlay appropriations; major maintenance and repair of state buildings

A. Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2026-2027 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes.

B. DEPARTMENT OF ADMINISTRATION $16,800,000

Fund source:

Capital outlay stabilization fund $16,800,000

The department of administration shall allocate the monies to state agencies for necessary building renewal. If monies in the capital outlay stabilization fund established by section 41-792.01, Arizona Revised Statutes, are insufficient to fund the appropriation to the department of administration for building renewal, the appropriation to the department of administration is reduced by the difference between the amount appropriated to the department of administration from the capital outlay stabilization fund and the balance in the capital outlay stabilization fund. Notwithstanding title 41, chapter 4, article 7, Arizona Revised Statutes, the department of administration may use monies appropriated for building renewal in fiscal year 2026-2027 for building projects related to retrofitting facilities for space consolidation initiatives.

C. STATE DEPARTMENT OF CORRECTIONS $ 5,864,300

Fund source:

Department of corrections building renewal fund $ 5,864,300

The state department of corrections may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects.

D. ARIZONA GAME AND FISH DEPARTMENT $ 1,932,900

Fund source:

Game and fish fund $ 1,932,900

E. ARIZONA STATE LOTTERY COMMISSION $ 237,800

Fund source:

State lottery fund $ 237,800

F. DEPARTMENT OF TRANSPORTATION $23,385,300

Fund sources:

State highway fund $22,990,400

State aviation fund $ 394,900

Department of Transportation Statewide Highway Construction

Sec. 3. Appropriation; department of transportation; statewide highway construction; reports; exemption

A. The amount appropriated in this section is appropriated for fiscal year 2026-2027 to plan and construct state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, to acquire rights-of-way and to provide for the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction.

B. DEPARTMENT OF TRANSPORTATION $432,663,000

Fund source:

State highway fund $432,663,000

Any balances and collections in the state highway fund established by section 28-6991, Arizona Revised Statutes, that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department of transportation for the purposes provided in this section.

C. On or before November 1, 2026, the department of transportation shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall be in the same format as in the prior year unless the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting have approved modifications to the format.

D. On or before November 1, 2026, the department of transportation shall report capital outlay information for fiscal years 2025-2026, 2026-2027 and 2027-2028 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This information shall appear in the same format as tables two, three and seven, as found in the fiscal year 2025-2026 appropriations report.

E. On or before November 1, 2026, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2027-2028 and the estimated debt service payment amount for each of fiscal years 2027-2028, 2028-2029, 2029-2030 and 2030-2031 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This report shall include state highway fund statewide construction bonds, Arizona highway user revenue fund bonds, Maricopa association of governments and Pima association of governments controlled access bonds, Maricopa regional area road fund bonds and grant anticipation notes and is intended to be comparable to the information in the fiscal year 2025-2026 appropriations report.

F. Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in this section is not subject to review by the joint committee on capital review.

Sec. 4. Department of transportation; U.S. Route 191 pavement rehabilitation; transfer

On or before June 30, 2026, the reduction of $2,500,000 made by Laws 2022, chapter 309, section 8, as amended by Laws 2023, chapter 135, section 3 and Laws 2025, chapter 235, section 1, from the state highway project to rehabilitate of pavement along United States Route 191 between Armory Road and East Safford is transferred from the state highway fund established by section 28-6991, Arizona Revised Statutes, to the state general fund for the support and maintenance of agencies of this state.

Sec. 5. <u>Appropriation; fiscal year 2028-2029; state match advantage for rural transportation fund</u>

The sum of $26,300,000 is appropriated from the state general fund in fiscal year 2028-2029 to the state match advantage for rural transportation fund established by section 28-339, Arizona Revised Statutes.

<u>Department of Transportation Airport Planning and Development</u>

Sec. 6. <u>Appropriation; department of transportation; airport planning and development; report; exemption</u>

A. The amount appropriated in this section is appropriated in fiscal year 2026-2027 to plan, construct, develop and improve state, county, city or town airports as determined by the state transportation board.

B. DEPARTMENT OF TRANSPORTATION	$ 29,048,900
Fund source:	
State aviation fund	$ 29,048,900

Any balances and collections in the state aviation fund established by section 28-8202, Arizona Revised Statutes, that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department of transportation in fiscal year 2026-2027 for the purposes provided in this section.

C. On or before December 31, 2026, the department of transportation shall report to the joint legislative budget committee staff on the status of all aviation grant awards and aviation grant distributions. The report shall delineate projects by individual airport and fiscal year, including any future year commitments.

D. Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in this section is not subject to review by the joint committee on capital review.

Sec. 7. <u>Use of appropriations</u>

A. The department of administration may spend up to five percent of the amounts appropriated to the department in this act, excluding amounts to be distributed to nonstate agencies, for expenditures for project management of building renewal and capital projects. All other monies appropriated to the department in this act may not be spent for personal services or employee-related expenditures or for maintenance contracts on building components and equipment without review by the joint committee on capital review.

B. Except as provided in subsection A of this section, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.