

Capital Outlay - Arizona Department of Administration

FY 2025
APPROVED

SPECIAL LINE ITEMS

Building Renewal

19,000,000 ^{1/2/}

AGENCY TOTAL

19,000,000

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund

19,000,000

SUBTOTAL - Other Appropriated Funds

19,000,000

SUBTOTAL - Appropriated Funds

19,000,000

TOTAL - ALL SOURCES

19,000,000 ^{3/4/5/}

AGENCY DESCRIPTION - The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) and the Arizona Department of Transportation (ADOT). Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 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 (Capital Outlay Appropriation Act footnote)
- 2/ 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 2024-2025 for building projects related to retrofitting facilities for space consolidation initiatives. (Capital Outlay Appropriation Act footnote)
- 3/ 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 non-state 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. (Capital Outlay Appropriation Act footnote)
- 4/ 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. (Capital Outlay Appropriation Act footnote)
- 5/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The budget includes \$19,000,000 from the Capital Outlay Stabilization Fund (COSF) in FY 2025 for building renewal. These monies are to be used for major repair and maintenance of ADOA-owned buildings. This amount funds 32.4% of the ADOA building renewal formula. In FY 2025, 100% of the formula would be \$58,671,400. This

formula value has been adjusted to exclude building renewal funding for the Arizona State Parks Board and Arizona Pioneers' Home, as these agencies receive direct building renewal appropriations (capital improvements) in the FY 2025 Capital Outlay Bill.

The FY 2024 appropriation to ADOA for building renewal was \$39,124,700, which consisted of \$25,124,700 from the General Fund and \$14,000,000 from COSF. This total

funding level in FY 2024 represented 58.2% of the ADOA formula.

Other Issues

FY 2024 and Prior Year Individual Project Revisions

The FY 2025 Capital Outlay Bill includes 5 prior year project revisions. In order to provide General Fund savings to the state, some projects received a reduction in funding. *Table 1* displays the various revisions made in the budget. The table shows the original appropriation, the amount of the reduction made to the appropriation, and the newly revised total.

Rent Adjustments

In FY 2025, state building rent payments total \$31,993,700 which is estimated to be paid from the following fund sources: \$18,919,400 from the General Fund, \$9,489,500 from Other Appropriated Funds, and \$3,584,800 from Non-Appropriated Funds.

The FY 2025 budget does not adjust agency budgets for any changes in space or rental charges. The current rental charges are as follows: Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft. *(Please see the Summary of Rent Charges for agency rent charges as of July 1, 2024).*

Table 1

ADOA Capital Appropriation Revisions

	Original GF <u>Appropriation</u>	<u>GF Reduction</u>	Revised GF <u>Appropriation</u>
FY 23 - Building Renewal	\$37,594,200	\$ (12,875,800)	\$24,718,400
FY 23 - West Adams Building Renovations	52,274,000 ^{1/}	(48,263,600)	4,010,400
FY 23 - Building Demolition Funding	1,568,000	(68,600)	1,499,400
FY 24 - Building Renewal	25,124,700	(22,539,500)	2,585,200
FY 24 - Electric Vehicle Charging for State Facilities	5,000,000	(5,000,000)	-
Total	\$121,560,900	\$(88,747,500)	32,813,400

^{1/} Includes \$5,000,000 FY 2023 supplemental for this purpose.

SUMMARY OF RENT CHARGES OF STATE-OWNED SPACE 1/ 2/3/

	Fiscal Year 2024 Appropriations Report				Fiscal Year 2025 Appropriations Report				Difference FY 2024 - FY 2025			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Acupuncture Board of Examiners												
1740 W Adams	-	12,900	-	12,900	-	12,900	-	12,900	-	-	-	-
Administration, AZ Department of												
1400 W Washington	-	280,500	-	280,500	-	340,600	-	340,600	-	60,100	-	60,100
1802 W Jackson	-	24,000	59,500	83,500	-	24,300	60,400	84,700	-	300	900	1,200
1840 W Jackson	-	95,600	-	95,600	-	95,600	-	95,600	-	-	-	-
1700 W Washington	-	316,200	-	316,200	-	157,800	-	157,800	-	(158,400)	-	(158,400)
1740 W Adams	-	36,200	-	36,200	-	33,300	-	33,300	-	(2,900)	-	(2,900)
1919 W Jefferson	-	274,600	-	274,600	-	274,600	-	274,600	-	-	-	-
1801 W Madison	-	29,300	-	29,300	-	29,300	-	29,300	-	-	-	-
1805 W Madison	-	33,800	-	33,800	-	33,800	-	33,800	-	-	-	-
400 W Congress, Tucson	-	49,300	-	49,300	-	35,800	-	35,800	-	(13,500)	-	(13,500)
402 W Congress, Tucson	-	77,300	-	77,300	-	77,300	-	77,300	-	-	-	-
416 W Congress, Tucson	-	3,800	-	3,800	-	3,800	-	3,800	-	-	-	-
Subtotal - AZ Dept of Administration	-	1,220,600	59,500	1,280,100	-	1,106,200	60,400	1,166,600	-	(114,400)	900	(113,500)
Administrative Hearings, Office of												
1740 W Adams	86,300	-	109,900	196,200	86,300	-	109,900	196,200				
Agriculture, AZ Department of												
400 W Congress, Tucson	48,400	-	7,200	55,600	48,400	-	7,200	55,600	-	-	-	-
AZ Health Care Cost Containment System												
801 E Jefferson	687,200	-	687,200	1,374,400	687,200	-	687,200	1,374,400	-	-	-	-
Arts, AZ Commission on the												
417 W Roosevelt	-	-	67,900	67,900	-	-	67,900	67,900	-	-	-	-
Attorney General - Department of Law												
400 W Congress, Tucson	-	-	131,500	131,500	-	-	131,500	131,500	-	-	-	-
402 W Congress, Tucson	176,900	57,500	207,800	442,200	192,800	62,700	226,500	482,000	15,900	5,200	18,700	39,800
416 W Congress, Tucson	-	-	157,700	157,700	-	-	157,700	157,700	-	-	-	-
15 S 15th Ave (Capitol Center)	640,900	1,135,400	54,900	1,831,200	640,900	1,135,400	54,900	1,831,200	-	-	-	-
Subtotal - Attorney General - Dept of Law	817,800	1,192,900	551,900	2,562,600	833,700	1,198,100	570,600	2,602,400	15,900	5,200	18,700	39,800
Barbering and Cosmetology Board												
1740 W Adams	-	117,100	-	117,100	-	117,100	-	117,100	-	-	-	-
Behavioral Health Examiners, Board of												
1740 W Adams	-	77,000	-	77,000	-	77,000	-	77,000	-	-	-	-
Charter Schools, State Board for												
1700 W Washington	74,100	-	-	74,100	74,100	-	-	74,100	-	-	-	-
Child Safety, Department of												
15 S 15th Ave (Capitol Center)	291,300	-	-	291,300	291,300	-	-	291,300	-	-	-	-
Chiropractic Examiners, State Board of												
1740 W Adams	-	25,800	-	25,800	-	25,800	-	25,800	-	-	-	-
Contractors, Registrar of												
1700 W Washington	-	373,800	19,700	393,500	-	373,500	19,700	393,200	-	(300)	-	(300)
Corporation Commission												
1200 W Washington	-	721,600	-	721,600	-	721,600	-	721,600	-	-	-	-
1300 W Washington	-	962,900	-	962,900	-	993,800	-	993,800	-	30,900	-	30,900
400 W Congress, Tucson	2,000	29,800	2,000	33,800	3,600	52,600	3,600	59,800	1,600	22,800	1,600	26,000

	Fiscal Year 2024 Appropriations Report				Fiscal Year 2025 Appropriations Report				Difference FY 2024 - FY 2025			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Subtotal - Corporation Commission	2,000	1,714,300	2,000	1,718,300	3,600	1,768,000	3,600	1,775,200	1,600	53,700	1,600	56,900
Corrections, State Department of												
1831 W Jefferson	363,600	-	-	363,600	363,600	-	-	363,600	-	-	-	-
701 E Jefferson	1,362,200	-	-	1,362,200	1,362,200	-	-	1,362,200	-	-	-	-
Subtotal - State Dept of Corrections	1,725,800	-	-	1,725,800	1,725,800	-	-	1,725,800	-	-	-	-
Dental Examiners, State Board of												
1740 W Adams	-	56,100	-	56,100	-	56,100	-	56,100	-	-	-	-
Economic Opportunity, Arizona Office of												
1400 W Washington	-	-	-	-	-	87,100	-	87,100	-	87,100	-	87,100
Economic Security, Department of												
1400 W Washington	154,500	308,900	154,500	617,900	117,200	234,300	117,200	468,700	(37,300)	(74,600)	(37,300)	(149,200)
1700 W Washington	4,100	-	12,200	16,300	-	-	-	-	(4,100)	-	(12,200)	(16,300)
1789 W Jefferson (DES West)	1,888,300	464,400	742,900	3,095,600	1,888,300	464,400	742,900	3,095,600	-	-	-	-
400 W Congress, Tucson	129,900	311,700	207,800	649,400	129,900	311,700	207,800	649,400	-	-	-	-
DES Group Homes	190,100	273,300	-	463,400	190,100	273,300	-	463,400	-	-	-	-
15 S 15th Ave (Capitol Center)	144,800	32,700	26,500	204,000	144,800	32,700	26,500	204,000	-	-	-	-
Subtotal - Department of Economic Security	2,511,700	1,391,000	1,143,900	5,046,600	2,470,300	1,316,400	1,094,400	4,881,100	(41,400)	(74,600)	(49,500)	(165,500)
Education, Department of												
1535 W Jefferson	489,900	136,100	734,800	1,360,800	489,900	136,100	734,800	1,360,800	-	-	-	-
416 W Congress, Tucson	-	10,400	105,700	116,100	-	10,400	105,700	116,100	-	-	-	-
Subtotal - Department of Education	489,900	146,500	840,500	1,476,900	489,900	146,500	840,500	1,476,900	-	-	-	-
Education, State Board of												
1700 W Washington	100,900	-	-	100,900	100,800	-	-	100,800	(100)	-	-	(100)
Emergency and Military Affairs, Department of												
400 W Congress St	8,000	-	-	8,000	8,000	-	-	8,000	-	-	-	-
Environmental Quality, Department of												
400 W Congress, Tucson	-	162,000	-	162,000	-	162,000	-	162,000	-	-	-	-
416 W Congress, Tucson	-	7,200	-	7,200	-	7,200	-	7,200	-	-	-	-
Subtotal - Dept. of Environmental Quality	-	169,200	-	169,200	-	169,200	-	169,200	-	-	-	-
Equalization, State Board of												
400 W Congress, Tucson	27,100	-	-	27,100	27,100	-	-	27,100	-	-	-	-
416 W Congress, Tucson	2,000	-	-	2,000	2,000	-	-	2,000	-	-	-	-
Subtotal - Board of Equalization	29,100	-	-	29,100	29,100	-	-	29,100	-	-	-	-
Fingerprinting, Board of												
1740 W Adams	-	-	-	-	-	33,500	-	33,500	-	33,500	-	33,500
Gaming, Department of												
400 W Congress, Tucson	-	4,300	-	4,300	-	4,300	-	4,300	-	-	-	-
Governor, Office of the												
1700 W Washington	752,600	-	-	752,600	1,086,100	-	-	1,086,100	333,500	-	-	333,500
1700 W Washington (Commission of African American Affairs)	9,600	-	-	9,600	-	-	-	-	(9,600)	-	-	(9,600)
1700 W Washington (Office of Highway Safety)	-	-	103,600	103,600	-	-	84,300	84,300	-	-	(19,300)	(19,300)
400 W Congress, Tucson	41,000	-	-	41,000	41,000	-	-	41,000	-	-	-	-
Subtotal - Office of the Governor	803,200	-	103,600	906,800	1,127,100	-	84,300	1,211,400	323,900	-	(19,300)	304,600
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	177,300	-	-	177,300	181,600	-	-	181,600	4,300	-	-	4,300
Health Services, Department of ^{5/}												
1740 W Adams	24,200	-	-	24,200	24,200	-	-	24,200	-	-	-	-
250 N 17th Ave	1,287,200	-	-	1,287,200	1,287,200	-	-	1,287,200	-	-	-	-
400 W Congress, Tucson	183,600	-	-	183,600	157,300	-	-	157,300	(26,300)	-	-	(26,300)

	Fiscal Year 2024 Appropriations Report					Fiscal Year 2025 Appropriations Report					Difference FY 2024 - FY 2025			
	General Fund	Other Fund	Non-Approp	Total		General Fund	Other Fund	Non-Approp	Total		General Fund	Other Fund	Non-Approp	Total
402 W Congress, Tucson	4,500	-	-	4,500		4,500	-	-	4,500		-	-	-	-
Subtotal - Department of Health Services	1,499,500	-	-	1,499,500		1,473,200	-	-	1,473,200		(26,300)	-	-	(26,300)
Homeland Security, AZ Dept of														
1700 W Washington	-	-	180,700	180,700		-	-	-	-		-	-	(180,700)	(180,700)
Homeopathic & Integrated Medicine Examiners, Board of														
1740 W Adams	-	3,800	-	3,800		-	3,800	-	3,800		-	-	-	-
Judiciary - Court of Appeals														
400 W Congress, Tucson	695,400	-	-	695,400		720,500	-	-	720,500		25,100	-	-	25,100
Judiciary - Supreme Court														
1501 W Washington	3,906,900	-	-	3,906,900		3,906,900	-	-	3,906,900		-	-	-	-
400 W Congress, Tucson	17,500	-	-	17,500		17,500	-	-	17,500		-	-	-	-
Subtotal - Judiciary	3,924,400	-	-	3,924,400		3,924,400	-	-	3,924,400		-	-	-	-
Subtotal - Judiciary	4,619,800	-	-	4,619,800		4,644,900	-	-	4,644,900		25,100	-	-	25,100
Juvenile Corrections, Department of														
400 W Congress, Tucson	19,200	-	-	19,200		19,200	-	-	19,200		-	-	-	-
Liquor Licenses and Control, Department of														
400 W Congress	-	51,900	-	51,900		-	51,900	-	51,900		-	-	-	-
Massage Therapy, Board of														
1740 W Adams	-	28,700	-	28,700		-	28,700	-	28,700		-	-	-	-
Medical Board, AZ														
1740 W Adams	-	212,300	-	212,300		-	212,300	-	212,300		-	-	-	-
Mine Inspector, State														
1700 W Washington	101,900	-	-	101,900		121,000	-	-	121,000		19,100	-	-	19,100
Naturopathic Physicians Medical Board														
1740 W Adams	-	10,900	-	10,900		-	10,900	-	10,900		-	-	-	-
Navigable Stream Adjudication Commission, AZ														
1700 W Washington	13,700	-	-	13,700		13,600	-	-	13,600		(100)	-	-	(100)
Nursing, State Board of														
1740 W Adams	-	190,500	-	190,500		-	190,500	-	190,500		-	-	-	-
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.														
1740 W Adams	-	23,900	-	23,900		-	23,900	-	23,900		-	-	-	-
Occupational Therapy Examiners, State Board of														
1740 W Adams	-	12,900	-	12,900		-	12,900	-	12,900		-	-	-	-
Opticians, State Board of Dispensing														
1740 W Adams	-	12,000	-	12,000		-	12,000	-	12,000		-	-	-	-
Optometry, State Board of														
1740 W Adams	-	13,800	-	13,800		-	13,800	-	13,800		-	-	-	-
Osteopathic Examiners in Medicine and Surgery, AZ Board of														
1740 W Adams	-	39,600	-	39,600		-	39,600	-	39,600		-	-	-	-
Personnel Board														
1740 W Adams	-	12,800	-	12,800		-	12,800	-	12,800		-	-	-	-
Physical Therapy, Board of														
1740 W Adams	-	22,400	-	22,400		-	22,400	-	22,400		-	-	-	-
Podiatry Examiners, State Board of														
1740 W Adams	-	10,900	-	10,900		-	10,900	-	10,900		-	-	-	-
Private Postsecondary Education, State Board for														
1740 W Adams	-	10,300	2,700	13,000		-	10,300	2,700	13,000		-	-	-	-
Psychologist Examiners, State Board of														

	Fiscal Year 2024 Appropriations Report				Fiscal Year 2025 Appropriations Report				Difference FY 2024 - FY 2025			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1740 W Adams	-	22,300	-	22,300	-	22,300	-	22,300	-	-	-	-
Public Safety, Department of												
14 N 18th Avenue	-	42,400	-	42,400	-	42,400	-	42,400	-	-	-	-
1700 W Washington	67,100	17,500	18,500	103,100	67,000	17,500	18,500	103,000	(100)	-	-	(100)
1740 W Adams St	-	30,600	-	30,600	-	-	-	-	-	(30,600)	-	(30,600)
400 W Congress, Tucson	14,800	3,800	4,100	22,700	14,800	3,800	4,100	22,700	-	-	-	-
Subtotal - Department of Public Safety	81,900	94,300	22,600	198,800	81,800	63,700	22,600	168,100	(100)	(30,600)	-	(30,700)
Respiratory Care Examiners, Board of												
1740 W Adams	-	17,400	-	17,400	-	17,400	-	17,400	-	-	-	-
Revenue, Department of												
402 W Congress, Tucson	97,000	145,600	-	242,600	97,000	145,600	-	242,600	-	-	-	-
1600 W Monroe	1,241,500	1,862,200	-	3,103,700	1,241,500	1,862,200	-	3,103,700	-	-	-	-
Subtotal - Department of Revenue	1,338,500	2,007,800	-	3,346,300	1,338,500	2,007,800	-	3,346,300	-	-	-	-
Secretary of State - Dept of State												
1700 W Washington	499,400	-	-	499,400	499,000	-	-	499,000	(400)	-	-	(400)
400 W Congress, Tucson	51,600	-	-	51,600	25,600	-	-	25,600	(26,000)	-	-	(26,000)
1901 W Madison (Polly Rosenbaum Building)	2,139,500	-	-	2,139,500	2,139,600	-	-	2,139,600	100	-	-	100
1030 N 32nd St	-	-	-	-	325,800	-	-	325,800	325,800	-	-	325,800
Subtotal - Secretary of State - Dept of State	2,690,500	-	-	2,690,500	2,990,000	-	-	2,990,000	299,500	-	-	299,500
Treasurer, State												
1700 W Washington	-	196,200	-	196,200	-	196,000	-	196,000	-	(200)	-	(200)
Tribal Relations, Governor's Office on												
1700 W Washington	17,900	-	-	17,900	46,200	-	-	46,200	28,300	-	-	28,300
University - Board of Regents												
1740 W Adams	-	-	13,800	13,800	-	-	13,800	13,800	-	-	-	-
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	33,900	-	33,900	-	33,900	-	33,900	-	-	-	-
Water Resources, Department of												
1802 W Jackson	33,800	-	-	33,800	33,800	-	-	33,800	-	-	-	-
GRAND TOTAL	18,269,700	9,530,100	3,813,100	31,612,900	18,919,400	9,489,500	3,584,800	31,993,700	649,700	(40,600)	(228,300)	380,800

1/ Reflects rental charges to agencies of state-owned buildings as of July 2024. Laws 2024, Chapter 220, Section 1 set the office rate of \$17.87 per square foot and the storage rental rate of \$6.43 per square foot.

2/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee or the pro rata share based on actual occupancy.

3/ A.R.S. 41-792.01 authorizes the Department of Administration to approve whole or partial rent exemptions without recommendation from the Joint Committee on Capital Review. Before authorizing the exemption, the department is required to report to the Joint Legislative Budget Committee.

4/ Pursuant to Laws 2023, Chapter 194, effective June 20, 2023, the State Board of Funeral Directors and Embalmers is eliminated and the powers and duties of the board are transferred to the Department of Health Services.

Capital Outlay - Arizona Department of Corrections

FY 2025
APPROVED

SPECIAL LINE ITEMS

Building Renewal	8,557,000 ^{1/2/}
AGENCY TOTAL	8,557,000

FUND SOURCES

Other Appropriated Funds

Department of Corrections Building Renewal Fund	5,864,300
Prison Construction and Operations Fund	2,692,700
SUBTOTAL - Other Appropriated Funds	8,557,000
SUBTOTAL - Appropriated Funds	8,557,000
TOTAL - ALL SOURCES	8,557,000 ^{3/4/}

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) is included in the Arizona Department of Administration (ADOA) Building System. Since FY 2012, ADC has received a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 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. (Capital Outlay Appropriation Act footnote)
- 2/ The state department of corrections may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriation Act footnote)
- 3/ 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. (Capital Outlay Appropriation Act footnote)
- 4/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The budget includes \$8,557,000 in FY 2025 for major repair and maintenance of ADC-owned buildings. This amount consists of:

	FY 2025
Department of Corrections Building Renewal Fund	5,864,300
Prison Construction and Operations Fund	2,692,700

The ADOA building renewal formula amount for ADC in FY 2025 is \$46,962,600. The budget funding represents 18.2% of the formula amount.

The FY 2024 budget included \$39,806,900 in FY 2024 for ADC Building Renewal. Of that amount, \$33,942,600 was from the General Fund. The FY 2025 budget reduced the FY 2024 General Fund appropriation by \$(19,379,100). (Please see Table 1 for additional information.)

Replace Evaporative Cooling Statewide with HVAC

The budget includes no funding in FY 2025 to replace evaporative cooling in inmate housing units with air conditioning. The FY 2024 budget's 3-year spending plan included \$29,832,100 for the project in FY 2025 and \$23,700,000 in FY 2026 for this project. The FY 2025 budget's 3-year spending plan removes this funding for both years.

The FY 2023 budget included \$47,600,000 for this project and the FY 2024 budget appropriated \$66,783,600. The 4-year total cost was expected to be \$167,915,700 to convert all remaining evaporative cooling systems in state-operated prison housing units to air conditioning. The FY 2025 budget reduced the FY 2024 appropriation by \$(56,983,600). (Please see Table 1 for additional information.)

Table 1**FY 2024 ADC Capital Appropriation Revisions (General Fund)**

	FY 2024 Original <u>Appropriation</u>	<u>Reduction</u>	FY 2024 Revised <u>Appropriation</u>
Building Renewal	\$ 33,942,600	\$ (19,379,100)	\$ 14,563,500
Replace Evaporative Cooling Statewide with HVAC	66,783,600	(56,983,600)	9,800,000
Total	\$100,726,200	\$(76,362,700)	24,363,500

Capital Outlay - Arizona Game and Fish Department

FY 2025
APPROVED

SPECIAL LINE ITEMS

Building Renewal	1,795,000 ^{1/}
AGENCY TOTAL	1,795,000

FUND SOURCES

Other Appropriated Funds

Game and Fish Fund	1,795,000
SUBTOTAL - Other Appropriated Funds	1,795,000
SUBTOTAL - Appropriated Funds	1,795,000 ^{2/3/}
TOTAL - ALL SOURCES	1,795,000

AGENCY DESCRIPTION — The Arizona Game and Fish Department is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- ^{1/} Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 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 (Capital Outlay Appropriation Act footnote)
- ^{2/} 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.
- ^{3/} Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

Building Renewal

The budget includes \$1,795,000 from the Game and Fish Fund in FY 2025 for building renewal. This amount funds 100% of the building renewal formula for major repair and maintenance of AGFD-owned buildings.

The FY 2024 appropriation of \$1,776,400 from the Game and Fish Fund also represented 100% of the agency's building renewal formula.

Capital Outlay - Arizona State Lottery Commission

FY 2025
APPROVED

SPECIAL LINE ITEMS

Building Renewal

218,200

AGENCY TOTAL

218,200 ^{1/2/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund

218,200

SUBTOTAL - Other Appropriated Funds

218,200

SUBTOTAL - Appropriated Funds

218,200

TOTAL - ALL SOURCES

218,200 ^{3/}

AGENCY DESCRIPTION — The Arizona Lottery is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 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 (Capital Outlay Appropriation Act footnote)
- 2/ 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. (Capital Outlay Appropriation Act footnote)
- 3/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The budget includes \$218,200 in FY 2025 from the State Lottery Fund for major repair and maintenance of Lottery owned buildings. This amount funds 100% of the Lottery building renewal formula.

The FY 2024 appropriation of \$214,200 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Capital Outlay - Arizona State Parks Board

FY 2025
APPROVED

SPECIAL LINE ITEMS

Capital Improvements	3,022,000
Red Rock Renovation	4,000,000 ^{1/2/}
San Rafael Renovation	1,500,000 ^{1/2/}
Yuma Territorial Prison Renovation	5,945,000 ^{1/2/}
Statewide Campground Improvements	4,100,000 ^{1/2/}
Statewide Sunshade Structures	2,233,300 ^{1/2/}
Statewide Water Conservation	1,339,000 ^{1/2/}
AGENCY TOTAL	22,139,300 ^{3/4/5/6/7/}

FUND SOURCES

Other Appropriated Funds

State Parks Revenue Fund	22,139,300
SUBTOTAL - Other Appropriated Funds	22,139,300
SUBTOTAL - Appropriated Funds	22,139,300
TOTAL - ALL SOURCES	22,139,300

AGENCY DESCRIPTION — The Arizona State Parks Board (ASPB) is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Laws 2022, Chapter 309 appropriated \$19,117,333 in FY 2025 from the State Parks Revenue Fund for capital projects at the Arizona State Parks Board. As a result, these monies do not appear in the FY 2025 Capital Outlay Appropriation Act.
- 2/ The Arizona state parks board may use up to ten percent of the monies from any project listed in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. After review by the joint committee on capital review, the Arizona state parks board may use more than ten percent of the monies appropriated for a project in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. (FY 2023 Capital Outlay Appropriation Act footnote) All of the projects displayed in line items were in subsection A.
- 3/ The Arizona state parks board shall report to the joint committee on capital review and the governor's office of strategic planning and budgeting if the board revises the plan for any project for which monies are appropriated by this subsection because the board receives land and water conservation grant funding. (Capital Outlay Appropriation Act footnote)
- 4/ 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. (Capital Outlay Appropriation Act footnote)
- 5/ Notwithstanding any other law, on or before June 30, 2024, \$38,237,100 from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes, is transferred to the state general fund for the purposes of providing adequate support and maintenance for agencies of this state. This amount reflects a portion of the revenues derived from the tax levied by title 42, chapter 5, articles 1 and 5, Arizona Revised Statutes, that were transferred to the state parks revenue fund by Laws 2022, chapter 321, section 20, subsection A, paragraph 5. (Capital Outlay Appropriation Act footnote)
- 6/ On or before September 1, 2024, the Arizona state parks board shall submit an expenditure report to the joint committee on capital review that describes how monies appropriated from the state parks revenue fund by Laws 2022, chapter 309, sections 6, 19 and 20 will be allocated for capital projects listed in those sections after deducting the amount of the transfer made in subsection A of this section. The department may only spend monies for capital projects that were favorably reviewed by the joint committee on capital review before the effective date of this section. (Capital Outlay Appropriation Act footnote)
- 7/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

Capital Improvements

The budget includes \$3,022,000 from the State Parks Revenue Fund in (SPRF) FY 2025 for capital improvements. This amount represents 100% of the building renewal formula for major repair and maintenance of ASPB-owned buildings.

The FY 2024 appropriation of \$3,034,400 from SPRF also represented 100% of the agency's building renewal formula.

Red Rock Renovation

The budget includes \$4,000,000 from SPRF in FY 2025 to fund renovations to the House of Apache Fire at Red Rock State Park, which the Arizona State Parks Board (ASPB) plans to reopen for public use upon completion.

This funding was appropriated in Laws 2022, Chapter 309 and does not appear in the FY 2025 Capital Outlay Bill.

San Rafael Renovation

The budget includes \$1,500,000 from SPRF in FY 2025 to fund wildfire mitigation efforts for and structural repairs to the McClintock ranch house at San Rafael State Natural Area.

This funding was appropriated in Laws 2022, Chapter 309 and does not appear in the FY 2025 Capital Outlay Bill.

Yuma Territorial Prison Renovation

The budget includes \$5,945,000 from SPRF in FY 2025 to fund renovations at Yuma Territorial Prison, including repairs to adobe structures and replacement of the security fence.

This funding was appropriated in Laws 2022, Chapter 309 and does not appear in the FY 2025 Capital Outlay Bill.

In FY 2024, the Legislature appropriated \$750,000 from SPRF for the first stage of this project.

Statewide Campground Improvements

The budget includes \$4,100,000 from SPRF in FY 2025 for statewide campground improvements.

This funding was appropriated in Laws 2022, Chapter 309 and does not appear in the FY 2025 Capital Outlay Bill.

Statewide Sunshade Structures

The budget includes \$2,233,333 from SPRF in FY 2025 for the construction of shade structures statewide. These structures will provide shade to park visitors and electricity to the parks.

This funding was appropriated in Laws 2022, Chapter 309 and does not appear in the FY 2025 Capital Outlay Bill.

Statewide Water Conservation

The budget includes \$1,339,000 from SPRF in FY 2025 for the statewide installation of low-flow fixtures and other water conservation efforts.

This funding was appropriated in Laws 2022, Chapter 309 and does not appear in the FY 2025 Capital Outlay Bill.

Other Issues

Fund Transfer

The FY 2025 Capital Outlay Bill transfers \$(38,237,100) from SPRF to the General Fund in FY 2024. This amount reflects the amount of Transaction Privilege Tax (TPT) revenues diverted to SPRF in FY 2023 to fund capital projects in the agency's 3-year plan, which included \$58.8 million in total project costs from FY 2023 to FY 2025. The original FY 2023 budget assumed the projects would be funded with \$38.2 million in General Fund monies diverted from TPT revenues and \$20.5 million from pre-existing SPRF monies. *(Please see the Arizona State Parks Board 3-Year Spending Plan section for more information).*

A Capital Outlay Bill, footnote requires ASPB to submit a report to the Joint Committee on Capital Review (JCCR) detailing their reallocation plan for the projects listed in *Table 1* after transferring the \$(38.2) million from TPT revenues back to the General Fund. ASPB may only spend the remaining \$20.5 million in SPRF monies on projects JCCR has already favorably reviewed, limiting the agency to the 3-year plan projects listed in *Table 1*.

Arizona State Parks Board 3-Year Spending Plan

The FY 2023 Capital Outlay Bill appropriated \$20,517,600 from SPRF to ASPB in FY 2023, \$19,143,800 in FY 2024, and \$19,117,333 in FY 2025 for capital projects. (The latter two amounts are from the TPT diversion described in the prior section.) *Table 1* shows a list of ASPB's planned capital projects through FY 2025.

An FY 2023 budget footnote requires that prior to ASPB using more than 10% of a specific project's budget for another project that was allocated funding for that year, ASPB shall submit the proposed expenditure plan and funding reallocation to JCCR for review.

Please see the *Fund Transfer* section for additional funding information for projects in the agency's 3-year plan.

In July 2022, JCCR favorably reviewed all the projects listed in *Table 1*. To date, ASPB has not requested to shift any funds between projects.

Table 1			
FY 2023 – FY 2025 Parks Capital Projects			
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Dead Horse Amphitheater – Cost Increase	\$ 210,000	\$0	\$0
Rockin' River State Park – Cost Increase	336,800	0	0
Jerome State Park Fire Suppression System	1,540,000	0	0
Southern Construction Services Relocation	2,000,000	0	0
Tonto Bridge State Park Historic Building	3,500,000	0	0
Tombstone State Park Main House Renovation	2,008,500	0	0
Rockin' River State Park Main House Renovation	1,750,000	0	0
Catalina State Park Main Entrance Bridge	1,500,000	5,813,000	0
Statewide Campground Improvements	4,100,000	4,100,000	4,100,000
Statewide Sunshade Structures	2,233,300	2,233,300	2,233,333
Statewide Water Conservation	1,339,000	1,339,000	1,339,000
Yuma Territorial Prison Park Historic Building	0	750,000	5,945,000
Riordan Mansion Park Historic Building	0	2,900,000	0
Oracle State Park Historic Building	0	2,008,500	0
Red Rock State Park Historic Building	0	0	4,000,000
San Rafael State Park Historic Building	0	0	1,500,000
Total	\$20,517,600	\$19,143,800	\$19,117,333

Capital Outlay - Arizona Pioneers' Home

FY 2025
APPROVED

SPECIAL LINE ITEMS

Capital Improvements

465,000

AGENCY TOTAL

465,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund

465,000

SUBTOTAL - Other Appropriated Funds

465,000

SUBTOTAL - Appropriated Funds

465,000

TOTAL - ALL SOURCES

465,000 ^{2/}

AGENCY DESCRIPTION — The Arizona Pioneers' Home is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated capital improvements appropriation via its own fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- ^{1/} 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. (Capital Outlay Appropriation Act footnote)
- ^{2/} Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

Capital Improvements

The budget includes \$465,000 from the Miners' Hospital for Miners with Disabilities Land Fund in FY 2025 for capital improvements. This amount represents 100% of the building renewal formula for major repair and maintenance of buildings owned by Arizona Pioneers' Home.

The FY 2024 appropriation of \$468,700 from the Miners' Hospital for Miners with Disabilities Land Fund also represented 100% of the agency's building renewal formula.

Capital Outlay - Arizona Department of Transportation

FY 2025
APPROVED

SPECIAL LINE ITEMS

Building Renewal	22,540,100 ^{1/}
Airport Planning and Development	25,550,000 ^{2/3/5/}
Controlled Access Highways	137,319,000 ^{4/-8/}
Debt Service	128,482,000 ^{4/-8/}
Statewide Highway Construction	196,687,000 ^{4/-8/}
Vehicle Fueling Facilities	9,088,200
AGENCY TOTAL	519,666,300 ^{9/10/}

FUND SOURCES

Other Appropriated Funds

State Aviation Fund	26,007,300
State Highway Fund	493,659,000
SUBTOTAL - Other Appropriated Funds	519,666,300
SUBTOTAL - Appropriated Funds	519,666,300

Other Non-Appropriated Funds	889,647,000
Federal Funds	1,053,828,000
TOTAL - ALL SOURCES	2,463,141,300

AGENCY DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission.

FOOTNOTES

- ^{1/} Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2024-2025 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. (Capital Outlay Appropriation Act footnote)
- ^{2/} The sum of \$25,550,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2024-2025 to the department of transportation to plan, construct, develop and improve state, county, city or town airports as determined by the state transportation board. Any balances and collections in the state aviation fund 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 2024-2025 for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- ^{3/} On or before December 31, 2024, 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. (Capital Outlay Appropriation Act footnote)
- ^{4/} The sum of \$462,488,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2024-2025 to the department of transportation 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. Any balances and collections in the state highway fund that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- ^{5/} Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriations are not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- ^{6/} On or before November 1, 2024, 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. (Capital Outlay Appropriation Act footnote)

- 7/ On or before November 1, 2024, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2025-2026 and the estimated debt service payment amount for each of fiscal years 2025-2026, 2026-2027, 2027-2028 and 2028-2029 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 2023-2024 appropriations report. (Capital Outlay Appropriation Act footnote)
- 8/ On or before November 1, 2024, the department of transportation shall report capital outlay information for fiscal years 2023-2024, 2024-2025 and 2025-2026 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 six, as found in the fiscal year 2023-2024 appropriations report. (Capital Outlay Appropriation Act footnote)
- 9/ 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. (Capital Outlay Appropriation Act footnote)
- 10/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2024, Chapter 211 (FY 2025 Capital Outlay Bill).

Building Renewal

Building Renewal

The budget includes \$22,540,100 in FY 2025 for Building Renewal within ADOT's Building System. This amount consists of \$22,082,800 from the State Highway Fund (SHF) and \$457,300 from the State Aviation Fund (SAF). The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings. The amounts represent 100% funding of the FY 2025 highway building renewal formula and 100% funding of the FY 2025 aviation building renewal formula. The FY 2024 budget appropriated \$21,978,300 from the SHF and \$441,900 from the SAF, which represented 100% funding of the FY 2024 highway building renewal formula and 100% funding of the FY 2024 aviation building renewal formula.

Airport Planning and Development

Airport Planning and Development

The budget includes \$25,550,000 from the State Aviation Fund (SAF) in FY 2025 for ADOT's airport capital improvement program. Fund revenues are generated from the jet fuel tax and Grand Canyon Airport operational revenues. This amount corresponds to the

programmed amount in the department's FY 2024-2028 Airport Capital Improvement Program (ACIP). ADOT develops an annual Five-Year ACIP to program airport planning and development monies, subject to the approval of the State Transportation Board. By aligning the airport planning and development appropriation with the programmed amount, the appropriation reflects the amount ADOT plans to award. In comparison, the FY 2024 budget included \$35,000,000 for this purpose.

Interstate and State Highway Road Projects

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$137,319,000 from SHF in FY 2025. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%. These amounts are deposited into 4 subaccounts of the SHF: the MAG 12.6% account, MAG 2.6% account, PAG 12.6% account, and PAG 2.6% account. The 12.6% accounts refer to the statutory HURF distribution and the 2.6% accounts refer to the State Transportation Board policy amount. ADOT spends these amounts as programmed by MAG and PAG.

Debt Service

The budget includes \$128,482,000 from SHF in FY 2025 for the appropriated portion of the debt service on bonds. ADOT has approximately \$840,965,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2025 debt service payments. *(Please see Table 6 for more information on debt service.)*

Statewide Highway Construction

The budget includes \$196,687,000 from SHF in FY 2025 for new highway construction. Only a small portion of the state's total \$2,220,800,000 highway construction funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund (MRARF), and HURF for controlled access roads. *(See the Total Highway Construction Funding discussion and Table 6 in Other Issues for additional information.)* A footnote in the FY 2025 budget appropriates any additional monies in SHF above the appropriation to ADOT for highway construction.

Expenditure of highway construction funding is determined by the State Transportation Board, which approves a 5-Year Program developed by ADOT.

Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5-Year Program after all other allocations have been made. *(Please see the Summary of Highway Construction section and Table 7 for more information.)*

Table 1 shows the allocation of the highway construction budget prior to any ADOT operating and capital issues and statewide adjustments made during the budget process, which would reduce the level of available highway construction funding.

As noted in the HURF distribution table *(please see Table 7)*, an additional amount of \$586,163,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2025.

Table 1

State Highway Fund FY 2025 Highway Construction & Debt Service

	<u>Capital Outlay Bill</u>
Controlled Access	\$137,319,000
Debt Service	128,482,000
Highway Construction	<u>196,687,000</u>
Total	\$462,488,000

Individual Projects

Vehicle Fueling Facilities

The budget includes \$9,088,200 from the SHF in FY 2025 for additional funding for the replacement of vehicle fueling facilities that had been funded in prior budgets. These facilities provide fuel for the department's operation throughout the state. They are located at Flagstaff, Needle Mountain, Kingman, Tucson, Willcox, Three Points, Saint David, Springerville, Chambers, and Holbrook. A footnote makes the \$1,800,000 FY 2022

appropriation for vehicle fueling facilities non-lapsing until the end of FY 2025.

Other Issues

FY 2024 and Prior Year Individual Project Revisions

The FY 2025 Capital Outlay Bill includes various prior year transportation project revisions to address changes in project costs that resulted in both project shortfalls and surpluses, as well as changes to defer project funding to future fiscal years. The FY 2025 Capital Outlay Bill addresses funding shortfalls by shifting monies from projects with excess funds to projects in need of additional funding.

Table 2 displays the various revisions made in the FY 2025 budget divided into 3 categories: project reductions, project deferments, and project surpluses/shortfalls. The table notes the project description and references in which year the specified project received its initial funding. The table further shows the original appropriation, any changes made to the appropriation by fund source, and the newly revised total.

Footnotes in the FY 2025 Capital Outlay bill state that the monies transferred from the SHF to the General Fund from the Riggs Road/SR 347 Overpass Construction project (\$24,000,000), I-10 Widening from SR 85 to Citrus Road project (\$55,910,000), statewide pavement rehabilitation project (\$29,343,200), and highway project reallocations (\$9,133,700) reflect monies received from a TPT diversion to the fund in the FY 2023 budget.

An additional footnote requires ADOT to distribute the \$59,800,000 FY 2024 appropriation to extend SR 24 to the town of Queen Creek on or before June 30, 2024. The footnote further directs the town of Queen Creek to prioritize a traffic interchange at SR 24 and Ironwood Road before spending any remaining monies to extend SR 24.

Table 2

FY 2025 Capital Outlay Bill Transportation Project Revisions

	Original Appropriation	GF Change	TPT/SHF Change	Revised Total
Project Reductions				
FY 23 SHF - Pavement Rehabilitation Funding	\$ 31,500,000	\$ 0	\$ (29,343,200)	\$ 2,156,800
FY 24 GF - Pavement Rehabilitation Funding	54,300,000	(41,000,000)	-	13,300,000
FY 24 GF - SR 24 Expansion	87,500,000	(27,700,000)	-	59,800,000
FY 24 GF - SR 97 Improvements near Bagdad	10,000,000	(10,000,000)	-	0
Subtotal	\$183,300,000	\$(78,700,000)	\$(29,343,200)	\$75,256,800
Project Deferments				
FY 21 GF - Riggs Road/SR 347 Overpass Construction	25,000,000	Defer to FY 28	-	25,000,000
FY 23 SHF - Riggs Road/SR 347 Overpass Construction	24,000,000	-	Defer to FY 28	24,000,000
FY 23 GF - I-10 Widening (SR 85/Citrus Road) to FY 27 (\$30M)/FY 28 (\$78M) ^{1/}	52,090,000	Defer to FY 27/28	-	52,090,000
FY 23 SHF - I-10 Widening (SR 85/Citrus Road) to FY 27 (\$30M)/FY 28 (\$78M) ^{1/}	55,910,000	-	Defer to FY 27/28	55,910,000
FY 24 GF - West Pinal Parkway East-West Corridor Design	9,240,000	Defer to FY 28	-	9,240,000
Subtotal	\$166,240,000	\$0	\$0	\$166,240,000
Project Surpluses/Shortfalls				
FY 21 GF - SR 90 Improvements Near Fort Huachuca ^{2/}	10,600,000	(2,095,000)	-	8,505,000
FY 23 SHF - US 191 Pavement Rehabilitation (Armory Road and East Safford)	18,981,000	-	(7,038,200)	11,942,800
FY 23 SHF - SR 69/SR 169 Intersection Roundabout Construction	8,022,500	-	939,100	8,961,600
FY 23 SHF - SR 90 Improvements (Moson Road to Campus Drive) ^{2/}	3,300,000	-	(3,300,000)	0
FY 23 SHF - SR 90 Pavement Rehabilitation (Campus Drive/Border Patrol Station)	38,620,000	-	(8,720,000)	29,900,000
FY 23 SHF - SR 303 and I-17 Interchange Design	19,000,000	-	(4,000,000)	15,000,000
FY 23 SHF - Riggs Rd/SR 347 (Design/Right of Way/Easements)	7,500,000	-	1,500,000	9,000,000
FY 23 SHF - Tier 2 Study for Sonoran Corridor in Pima County	14,000,000	-	(2,436,000)	11,564,000
FY 24 GF - SR 347 Intersection Improvements (Casa Blanca Rd/Cement Plant)	18,000,000	1,901,000	-	19,901,000
FY 24 GF - US 60 Repavement (Morristown to Wickenburg)	10,500,000	206,800	220,900	10,927,700
FY 24 GF - SR 260 Improvements within Navajo County	4,250,000	172,200	-	4,422,200
FY 24 GF - SR 85 Improvement Design (Between MP 123/Maricopa Road)	6,500,000	-	12,600,500	19,100,500
FY 24 GF - SR 83 Improvements within Santa Cruz County	9,000,000	-	1,100,000	10,100,000
FY 24 GF - SR 87 Intersection Improvement Design (Arica Road/Shedd Road)	700,000	315,000	-	1,015,000
FY 24 GF - SR 303 and US 60 Interchange Improvements	4,500,000	167,000	-	4,667,000
Subtotal	\$173,473,500	\$667,000	\$(9,133,700)	\$165,006,800
Total	523,013,500	\$(78,033,000)	\$(38,476,900)	406,503,600

^{1/} The FY 2023 appropriation for the I-10 Widening (SR 85/Citrus Road) project totals \$60,910,000 from the SHF and \$52,090,000 from the GF. The FY 2025 budget defers \$55,910,000 from the SHF and the entire \$52,090,000 from the GF (totaling \$108,000,000). Of the \$108,000,000 total deferment, \$30,000,000 is deferred to FY 2027 and \$78,000,000 is deferred to FY 2028.

^{2/} The FY 2021 GF appropriation for SR 90 Improvements near Fort Huachuca and the FY 2023 SHF appropriation for SR 90 Improvements (Moson Road to Campus Drive) cover the same project.

Summary of Non-Appropriated Capital Funds

Table 3 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$1,381,746,000 in FY 2023 to \$2,060,156,000 in FY 2024 and \$1,943,475,000 in FY 2025.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2025 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 3.

Table 3

Non-Appropriated Capital Fund Expenditures (\$ in Thousands)

	FY 2023 Actual	FY 2024 Estimate	FY 2025 Estimate
Aviation Federal Funds	\$1,208	\$1,912	\$1,546
Highway Federal Grants	916,499	976,598	1,052,282
Subtotal - Federal Funds	\$917,707	\$978,510	\$1,053,828
Bond Proceeds	\$33,466	\$156,234	\$174,185
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	2,591	28,709	6,282
Maricopa Regional Area Road Fund	426,982	895,703	708,180
Subtotal - Other Non- Appropriated Funds	\$464,039	\$1,081,646	\$889,647
Total	\$1,381,746	\$2,060,156	\$1,943,475

Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the board on June 15, 2023 includes monies from a diversion of General Fund transaction privilege tax (TPT) revenues, SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$2,557,565,000 for FY 2025. (Please see Table 4 for additional details.)

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. The FY 2025 budget includes \$462,488,000 for highway construction, including \$196,687,000 of net SHF monies for statewide highway construction.

Table 4

State Highway Fund Highway Construction Projects Beginning in FY 2025 (\$ in Thousands)

	FY 2025 ^{1/}
Construction	\$378,709
Urban Controlled Access ^{2/}	1,492,876
Pavement Preservation Maintenance	551,666
Other ^{3/}	134,314
Total	\$2,557,565

^{1/} Data from ADOT's 2024-2028 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2025.

^{2/} Includes expenditures from SHF for controlled access, PAG, and MRARF.

^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

Table 6 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2023 through FY 2025 on a cash flow basis, as provided by ADOT. Table 4, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it only shows the total dollar cost of highway projects scheduled to begin in FY 2025 by category of construction. Table 6 also includes monies from the Local Agency Deposits Fund, while Table 4 does not.

For FY 2023, Table 6 shows that total cash highway construction expenditures were \$1,340,700,000 while \$308,600,000 was spent on debt service. In FY 2024, total estimated cash highway construction expenditures are \$1,983,900,000 with total debt service of \$308,600,000. In FY 2025, total estimated cash highway construction expenditures are \$1,918,900,000 with total debt service of \$301,900,000.

The major sources of highway construction funding are SHF, Federal Aid, the half-cent sales tax in Maricopa County (MRARF), bond proceeds, and the Local Agency Deposits Fund. The Local Agency Deposits Fund receives monies from the federal government and local agencies for the payment of local agency sponsored county secondary road construction projects.

Table 6 does not include highway maintenance spending of \$168,295,200 in FY 2023, \$160,760,600 in FY 2024, and \$160,760,600 in FY 2025. Of the \$301,900,000 total FY 2025 debt service amount in Table 6, only \$128,500,000 is appropriated.

Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver's license, and others. *Table 5* explains the formula distribution of HURF monies between state and local governments. *Table 7* presents the overall HURF distribution for FY 2023 through FY 2025. The line in *Table 7* showing net SHF Available for Statewide Highway Construction, which totals \$170,425,000 for FY 2025, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. This line represents the amount that is available from the discretionary SHF to fund the State Transportation Board's 5-Year Program.

Total FY 2023 HURF collections of \$1,749,295,000 were 1.2% above FY 2022 collections. As of May 2024, FY 2024 HURF year-to-date collections were 2.8% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 33.2% of HURF revenue in FY 2023, a percentage which has been increasing in recent years. From FY 2019 to FY 2023, the gas tax share of total collections has decreased by (3.7)% while VLT's share has increased by 2.3%.

The gas tax comprises the second largest source of HURF collections at 31.2%.

ADOT forecasts HURF collections 10 years out each summer using a model based on the state's nominal personal income, population, non-farm employment, fleet fuel efficiency and nominal gas price.

Table 5 breaks down the distribution of HURF monies between cities, counties, controlled access, and the SHF.

Table 5

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	<u>42.8%</u>
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (15.2% of 50.5% = 7.7% displayed in the table above). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Table 6

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2023</u> <u>Actual</u>	<u>FY 2024</u> <u>Estimate</u>	<u>FY 2025</u> <u>Estimate</u>
State Highway Fund (SHF)			
<i>Appropriated</i>			
HURF - Statewide Debt Service	\$ 116.4	\$ 114.9	\$ 106.0
HURF - MAG Debt Service	19.1	23.6	22.5
MAG/PAG 15.2% Controlled Access - Construction	12.6	27.7	22.2
Net SHF Funds Available for Statewide Highway	163.2	143.4	196.7
Total SHF - Appropriated	\$ 311.3	\$ 309.6	\$ 347.4
<i>Non-Appropriated</i>			
SHF Highway Construction ^{1/}	\$ -	\$ -	\$ -
Total SHF - Non-Appropriated	\$ -	\$ -	\$ -
Total SHF Highway Construction Expenditures	\$ 311.3	\$ 309.6	\$ 347.4
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 916.5	\$ 976.6	\$ 1,052.3
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 242.3	\$ 681.4	\$ 497.2
MRARF Debt Service	143.1	140.0	143.4
Total Maricopa Regional Area Road Fund Highway	\$ 385.4	\$ 821.4	\$ 640.6
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 0	\$ 126.2	\$ 144.2
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	33.5	30.0	30.0
Total Bond Proceeds Highway Construction Expenditures	\$ 33.5	\$ 156.2	\$ 174.2
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	2.6	28.7	6.3
Total Local Agency Deposits Fund Highway Construction	\$ 2.6	\$ 28.7	\$ 6.3
Total Highway Construction Expenditures	\$ 1,649.3	\$ 2,292.5	\$ 2,220.8
Total Debt Service			
SHF	\$ 135.5	\$ 138.5	\$ 128.5
Federal Aid	30.0	30.0	30.0
MRARF	143.1	140.1	143.4
Total Debt Service	\$ 308.6	\$ 308.6	\$ 301.9 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 175.8	\$ 171.0	\$ 218.8
Federal Aid	886.5	946.6	1,022.3
MRARF	242.3	681.4	497.3
Bond Proceeds	33.5	156.2	174.2
Local Agency Deposits Fund	2.6	28.7	6.3
Total Cash Highway Construction Expenditures	\$ 1,340.7	\$ 1,983.9	\$ 1,918.9
Total Highway Construction Expenditures	\$ 1,649.3	\$ 2,292.5	\$ 2,220.8

^{1/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{2/} Information provided by the department. Includes \$128,481,572 for HURF bonds (\$105,988,542 for statewide program and \$22,493,030 MAG program); \$29,971,500 for Grant Anticipation Notes; and \$143,372,676 for MRARF bonds.

Table 7

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2023	FY 2024	FY 2025
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,776,318	\$1,793,807	\$1,857,538
Less: ServiceArizona ATP Fee Retention	7,528	7,602	7,872
Brick and Mortar ATP Fee Retention	7,444	7,517	7,784
ServiceArizona ATP Credit Card Fee Reimbursements	10,274	10,376	10,744
Brick and Mortar ATP Credit Card Fee Reimbursements	1,507	1,522	1,576
ServiceArizona ATP Check Reimbursement	270	270	270
Total HURF Collections	\$1,749,295	\$1,766,520	\$1,829,292
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	877	899	899
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,456	11,530	11,699
Net HURF Collections	\$1,735,962	\$1,753,091	\$1,815,694
Less: Cities ^{2/}	529,468	534,693	553,787
Counties ^{2/}	329,833	333,087	344,982
VLT Transfer to Parity Compensation Fund ^{3/}	4,187	4,414	4,809
VLT Transfer to General Fund (5-Year VLT) ^{4/}	3,500	3,650	3,800
VLT Transfer to General Fund (Abandoned Vehicle) ^{5/}	4,520	4,700	4,900
Controlled Access ^{6/}	131,397	132,627	137,319
Net SHF (Discretionary)	\$ 733,057	\$ 739,920	\$ 766,097
Plus: Other Income ^{7/}	105,327	122,722	119,124
Less: Operating Budget	448,968	479,160	488,489
Dept of Public Safety Transfer from Highway Fund	8,167	6,367	10,000
Capital Outlay	19,416	20,100	9,088
Building Renewal	18,139	21,978	22,083
ServiceArizona ATP VLT Retention ^{8/}	22,224	22,600	24,708
Brick and Mortar ATP VLT Retention ^{8/}	14,972	15,226	16,646
HURF Exchange Program ^{9/}	7,816	15,300	15,300
Debt Service ^{10/}	135,486	138,491	128,482
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{11/12/}	\$ 163,196	\$ 143,420	\$ 170,425
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	407,465	515,953	586,163
STAN Account Beginning Balance	0	0	0
Total SHF Available for Statewide Highway Construction	\$ 570,661	\$ 659,373	\$ 756,588

^{1/} Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board.

^{2/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{3/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{4/} A.R.S § 28-5808E transfers the SHF share of the HURF VLT to the state General Fund that is generated from the difference between a 2-year registration and a 5-year registration.

^{5/} A.R.S § 28-5808D also transfers the SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4802A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

^{6/} A statutorily defined distribution of SHF monies for design, acquisition, and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

^{7/} Includes transfers from the MAG 12.6% subaccount to the SHF for debt service on HURF bonds, miscellaneous receipts, rental income, sale of capital assets, underground storage tank deposits, investment income, grants from Governor's Office of Highway Safety, retained MVD fees, oversize permits, and abandoned vehicle fees. This excludes the \$874,447,500 of TPT General Fund collections that were deposited into the State Highway Fund to fund individual transportation projects in FY 2023.

^{8/} Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

^{9/} Local entities can exchange federal aid monies for State Highway Fund monies.

^{10/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{11/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

^{12/} The amounts displayed in the Net SHF Available for Statewide Highway Construction do not match the amounts contained in the respective Capital Outlay Bill for each fiscal year due to spending changes in ADOT's operating budget, DPS's operating budget, building renewal, and capital outlay projects.

Capital Outlay

Arizona Board of Regents Building Systems

FY 2025
Approved

BUILDING RENEWAL

Arizona Board of Regents

TOTAL - ALL PROJECTS

0

0^{1/2}

FUND SOURCES

General Fund

0

SUBTOTAL - Appropriated Funds

0

TOTAL - ALL SOURCES

0

AGENCY DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by ABOR on behalf of the universities.

FOOTNOTES

- 1/ A.R.S. § 15-1670 appropriates \$32,592,100 to the universities from the General Fund in FY 2025 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$30,108,700 to the universities from the General Fund in FY 2025 for capital infrastructure projects.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on a formula determined by the Joint Committee on Capital Review (JCCR). As required by A.R.S. § 41-793.01, the formula accounts for the replacement value, age, and life cycle of a building. In FY 2025, ABOR reports funding 100% of the building renewal formula would be \$241,463,400. The budget includes no funding for Building Renewal in the ABOR Building System.

Summary of University Debt

ABOR estimates that as of the end of FY 2025, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$4,095,516,600 of which \$3,853,130,000 is for outstanding bonds and \$242,386,600 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,473,978,000
NAU	368,660,000
UA (all campuses)	<u>1,252,878,600</u>
Total	\$4,095,516,600

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2025 will be \$398,578,500. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$219,849,300
NAU	42,647,400
UA (all campuses)	<u>136,081,800</u>
Total	\$398,578,500

In addition to university system revenues being allocated for FY 2025 debt service payments, \$43,185,200 would be paid by Lottery monies, \$32,592,100 would be paid by the General Fund for 2003 research infrastructure projects, and \$17,215,000 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects.

The universities' expenditures for debt service payments are included in the budget of each university's individual agency section. *(Please see the individual university sections for more information.)*

State Bonding Programs

University Lottery Bonds

One component of the \$3,853,130,000 bond balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds. Pursuant to A.R.S. § 5-522 and § 15-1682.03, ABOR is authorized to enter into bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities. Debt service payments for SPEED bonds will total \$53,981,500 in FY 2025, of which 80% will be paid by Lottery monies and 20% with university system revenues.

2017 Capital Infrastructure Appropriations

Another component of the \$3,853,130,000 bond balance is 2017 Capital Infrastructure funding. Pursuant to A.R.S. § 15-1671, universities receive annual General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The universities may use this funding to pay cash for projects or for debt service. In the latter case, the General Fund may only pay for 50% of debt service (with the remainder financed through other university system revenues).

The original legislation appropriated \$27,000,000 from the General Fund to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2025 budget assumes a 2.0% increase from FY 2024, resulting in an FY 2025 General Fund appropriation of \$30,108,700. If the universities utilized the full appropriation for debt service, this amount would support \$60,217,400 in debt service payments.

Since FY 2019, however, the universities have not fully used their debt service capacity and have used a portion of their appropriation to fund projects with cash. As a result, the appropriation does not equate to the annual debt service payments. Debt service payments are projected to total \$34,430,100 in FY 2025, of which 50% will effectively be supported by the General Fund.

For additional information on state bonding programs for universities, please see the *Lottery Bonds and Capital Infrastructure Funding Program Summary* on the JLBC website.

University Debt Ratio Policy

In authorizing ABOR to issue bonds on behalf of the universities, A.R.S. § 15-1683 limits the debt service payments each university is allowed to make based on its financial resources.

Specifically, the statute requires that the projected debt service payments on outstanding and proposed bonds and certificates of participation (COPs) not exceed 8.0% of each institution's total projected expenditures and mandatory transfers in any fiscal year. University SPEED bonds are exempt from the debt ratio calculations. The universities' Capital Improvement Plans project expected debt ratios through FY 2028. The rate and year in which each university is projected to have its highest debt ratio is listed below. The ratio is also displayed if the university lottery bonds were applied to the calculation.

- ASU: 5.1% (5.5% with SPEED) in FY 2026
- NAU: 4.8% (6.3% with SPEED) in FY 2025
- UA: 5.0% (6.0% with SPEED) in FY 2024

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$3,573,800,000 in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay

Debt and Lease-Purchase Financing

Long-Term Financing Summary

The state's long-term financing consists of 2 different types of transactions.

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the Universities have entered into lease-purchase agreements for the acquisition and construction of state facilities. The ADOA School Facilities Division (SFD) also entered into lease-purchase agreements for the construction of new schools prior to FY 2012.

At the end of FY 2025, the outstanding balance of lease-purchase agreements is expected to be \$613.3 million.

Table 1 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the Universities and the Arizona Department of Transportation have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

At the end of FY 2025, the outstanding balance of bond financing is expected to be \$4.69 billion.

Table 1 provides information related to current outstanding state bond financing.

January 31 JLBC Debt Report

A.R.S. § 41-1277 requires the JLBC Staff to present to the House and Senate Appropriations Committees a report on state debt and obligations. Due by January 31 of each year, the report includes the following information from the prior fiscal year:

- The statewide aggregate level of outstanding principal, by type of debt or obligation;
- The principal and interest payments on each of the state's long-term obligations;
- A description of the state's payment deferrals ("rollovers") by agency, including: the date the payment was originally scheduled to be made,

interest paid to date on the deferral, and interest paid in the prior and current fiscal years; and

- Historical information on the state's overall debt balance and per capita debt obligations, based on available data.

To the extent possible, A.R.S. § 41-1277 requires data contained in the report to be based on the Department of Administration's (ADOA) Report of Bonded Indebtedness, which is published annually along with an online searchable database.

This report provides a current and historical summary of the state's outstanding financing obligations. In addition, it includes specific details on each of the individual financing issuances and the state's payment deferrals.

The January 31, 2024 debt report would typically provide debt information on the prior fiscal year (FY 2023). To provide a more updated display of the state's current outstanding debt, the January 31, 2024 report included information from *Table 1*, which shows debt payments and year-end balances for the upcoming fiscal year (FY 2025).

Table 1

Lease-Purchase and Bonding Summary

<u>Lease-Purchase Summary</u>	Overall Balance	<u>1/</u> GF Balance	Overall FY 25 Payment	<u>2/</u> FY 25 GF Payment	Retirement FY
<u>ADOA Building System</u>					
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 8,365,000	\$ 5,019,000	\$ 4,215,600	\$ 2,529,400	FY 29
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 14,245,000	\$ 6,162,200	\$ 10,439,700	\$ 4,516,100	FY 28
<i>Subtotal - ADOA</i>	<u>\$ 22,610,000</u>	<u>\$ 11,181,200</u>	<u>\$ 14,655,300</u>	<u>\$ 7,045,500</u>	
<u>ADOA - School Facilities Division</u>					
Federal Bonds	\$ 15,086,700	\$ 15,086,700	\$ 9,938,100 <u>3/</u>	\$ 9,938,100 <u>3/</u>	FY 28
<u>ABOR Building System</u>					
Arizona State University	\$ 126,323,000	\$ 73,245,000	\$ 22,626,200	\$ 13,459,300	FY 39
Northern Arizona University	25,345,000	25,345,000	4,885,500	4,885,500	FY 31
University of Arizona	<u>90,718,600</u>	<u>71,490,000</u>	<u>26,037,000</u>	<u>14,247,300</u>	FY 72
<i>Subtotal - ABOR</i>	<u>\$ 242,386,600</u>	<u>\$ 170,080,000</u>	<u>\$ 53,548,700</u>	<u>\$ 32,592,100</u>	
Phoenix Convention Center <u>4/</u>	<u>\$ 333,225,000</u>	<u>\$ 333,225,000</u>	<u>\$ 25,998,700</u>	<u>\$ 25,998,700</u>	FY 44
<i>TOTAL - Lease-Purchase</i>	<u>\$ 613,308,300</u>	<u>\$ 529,572,900</u>	<u>\$ 104,140,800</u>	<u>\$ 75,574,400</u>	
<u>Bonding Summary</u>					
Department of Transportation <u>5/</u>	\$ 840,965,000	\$ -	\$ 158,453,100	\$ -	FY 14 - 38
<u>ABOR Building System</u>					
Arizona State University	\$ 1,782,840,000	\$ -	\$ 160,467,900	\$ -	FY 55
Northern Arizona University	260,600,000	-	27,726,600	-	FY 44
University of Arizona	707,130,000	-	68,423,600	-	FY 48
University Lottery Bond (SPEED)	537,380,000 <u>6/</u>	-	53,981,600	-	FY 48
University Infrastructure (2017) <u>7/</u>	<u>565,180,000</u>	<u>282,590,000</u>	<u>34,430,100</u>	<u>17,215,000</u>	FY 44
<i>Subtotal - ABOR</i>	<u>\$ 3,853,130,000</u>	<u>\$ 282,590,000</u>	<u>\$ 345,029,800</u>	<u>\$ 17,215,000</u>	
<i>TOTAL - Bonding</i>	<u>\$ 4,694,095,000</u>	<u>\$ 282,590,000</u>	<u>\$ 503,482,900</u>	<u>\$ 17,215,000</u>	
TOTAL - Lease-Purchase & Bonding	\$ 5,307,403,300	\$ 812,162,900	\$ 607,623,700	\$ 92,789,400	

1/ Represents principal balances as of June 30, 2025. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.

2/ Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 25 GF Payment" column.

3/ This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account prior federal budget reductions, in FY 2025 this subsidy is expected to be \$3,729,900 of the \$9,938,100 payment.

4/ The Convention Center debt service will eventually increase over a number of years to a maximum of \$30.0 million. Monies are given to the city to pay this portion of the lease-purchase payment. Laws 2015, Chapter 10 made a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.

5/ Includes \$745,955,000 for Highway User Revenue Fund bonds and \$95,010,000 for Grant Anticipation Notes.

6/ Represents outstanding balance as of the end of FY 2025 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

7/ The universities will receive \$30,108,700 from the General Fund in FY 2025 for the 2017 Capital Infrastructure Funding program. The General Fund is expected to pay \$17,215,000 in FY 2025 for debt service.

LEASE-PURCHASE APPROPRIATIONS 1/ Department of Administration Building System

	Fiscal Year 2024 - Appropriations Report				Fiscal Year 2025 - Appropriations Report				Difference FY 2025 - FY 2024			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$124,300		\$124,300		\$125,700		\$125,700	-	\$1,400	-	\$1,400
Administration, Arizona Department of	\$244,300	629,400	\$65,800	939,500	\$247,100	636,700	\$66,500	950,300	\$2,800	7,300	\$700	10,800
Deaf and the Hard of Hearing, Commission for the		238,500		238,500		241,300		241,300	-	2,800	-	2,800
Education, Department of	401,500	111,500	602,300	1,115,300	406,100	112,800	609,200	1,128,100	4,600	1,300	6,900	12,800
Equalization, State Board of	97,300			97,300	98,400			98,400	1,100	-	-	1,100
Gaming, Department of		415,100		415,100		419,800		419,800	-	4,700	-	4,700
Insurance & Financial Institutions, Department of	355,800	67,800		423,600	359,900	68,500		428,400	4,100	700	-	4,800
Juvenile Corrections, Department of	294,000			294,000	297,400			297,400	3,400	-	-	3,400
Real Estate Department, State	193,100			193,100	195,300			195,300	2,200	-	-	2,200
Tax Appeals, State Board of	37,400			37,400	37,800			37,800	400	-	-	400
Subtotal - ADOA Building	\$1,623,400	\$1,586,600	\$668,100	\$3,878,100	\$1,642,000	\$1,604,800	\$675,700	\$3,922,500	\$18,600	\$18,200	\$7,600	\$44,400
Department of Environmental Quality Building												
Agriculture, Department of	\$397,800		\$352,700	\$750,500	\$402,300		\$356,800	\$759,100	\$4,500	-	\$4,100	\$8,600
Citizens Clean Elections Commission			73,500	73,500			74,400	74,400	-	-	900	900
Criminal Justice Commission, Arizona		\$12,900	202,000	214,900		\$13,000	204,300	217,300	-	\$100	2,300	2,400
Environmental Quality, Department of		1,966,800		1,966,800		1,989,400		1,989,400	-	22,600	-	22,600
Forestry and Fire Management, AZ Department of	233,500		34,900	268,400	236,200		35,300	271,500	2,700	-	400	3,100
Housing, AZ Department of	34,300	11,400	182,800	228,500	34,700	11,500	184,900	231,100	400	100	2,100	2,600
Independent Redistricting Commission	39,600			39,600	40,100			40,100	500	-	-	500
State Land Department	872,000			872,000	882,000			882,000	10,000	-	-	10,000
Arizona State Parks Board			318,200	318,200			321,800	321,800	-	-	3,600	3,600
Pharmacy, Arizona State Board of		133,900		133,900		135,400		135,400	-	1,500	-	1,500
Residential Utility Consumer Office		115,000		115,000		116,300		116,300	-	1,300	-	1,300
Technical Registration, State Board of		197,700		197,700		200,000		200,000	-	2,300	-	2,300
Tourism, Office of	194,000			194,000	196,200			196,200	2,200	-	-	2,200
Water Resources, Department of	1,070,300			1,070,300	1,082,600			1,082,600	12,300	-	-	12,300
Subtotal - ADEQ Building	\$2,841,500	\$2,437,700	\$1,164,100	\$6,443,300	\$2,874,100	\$2,465,600	\$1,177,500	\$6,517,200	\$32,600	\$27,900	\$13,400	\$73,900
Health Services, Department of												
Health Services Building - Refinance	\$2,446,600	\$1,631,100		\$4,077,700	\$2,529,400	\$1,686,200		\$4,215,600	\$82,800	\$55,100	\$0	\$137,900
Health Lab - Refinance				-				-	\$0	\$0	\$0	\$0
Subtotal - Department of Health Services	\$2,446,600	\$1,631,100	\$0	\$4,077,700	\$2,529,400	\$1,686,200	\$0	\$4,215,600	\$82,800	\$55,100	\$0	\$137,900
GRAND TOTAL	\$6,911,500	\$5,655,400	\$1,832,200	\$14,399,100	\$7,045,500	\$5,756,600	\$1,853,200	\$14,655,300	\$134,000	\$101,200	\$21,000	\$256,200

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

Capital Outlay - Local Assistance

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 APPROVED
SPECIAL LINE ITEMS			
Phoenix Convention Center	24,999,400	25,498,600	25,998,700 ^{1/}
Rio Nuevo District	17,113,500	17,000,000	17,000,000 ^{2/}
AGENCY TOTAL	42,112,900	42,498,600	42,998,700 ^{3/}
FUND SOURCES			
General Fund	42,112,900	42,498,600	42,998,700
SUBTOTAL - Appropriated Funds	42,112,900	42,498,600	42,998,700
TOTAL - ALL SOURCES	42,112,900	42,498,600	42,998,700

AGENCY DESCRIPTION — The State Treasurer makes distributions to the City of Phoenix to service debt on the Phoenix Convention Center and to the Rio Nuevo Multipurpose Facility District for use in authorized development projects and to service debt issued by the district.

FOOTNOTES

- ^{1/} Pursuant to section 9-602, Arizona Revised Statutes, \$25,998,700 of state general fund revenue is allocated in fiscal year 2024-2025 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriation Act footnote)
- ^{2/} Pursuant to section 42-5031, Arizona Revised Statutes, a portion of the state transaction privilege tax revenues will be distributed to a multipurpose facility district. The Rio Nuevo multipurpose facility district is estimated to receive \$17,000,000 in fiscal year 2024-2025. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The budget includes \$25,998,700 from the General Fund in FY 2025 for state participation in repayment of \$300,000,000 of debt financing for the expansion of the Phoenix Convention Center. Adjustments are as follows:

Distribution Increase

The budget includes an increase of \$500,100 from the General Fund in FY 2025 to increase the distribution to the City of Phoenix pursuant to A.R.S. § 9-602.

Background — In FY 2005, the City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs) to finance expansion of the Phoenix Convention Center. Of that amount, \$300,000,000 will be repaid by the state. The project was completed in January 2009.

There is a statutory debt service schedule for these payments. Under this schedule, the state's annual contribution is scheduled to gradually increase to \$29,998,925 by FY 2044.

Table 1

Phoenix Convention Center Debt Service

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2025	25,998,700	FY 2035	29,995,775
FY 2026	26,497,375	FY 2036	29,999,975
FY 2027	26,997,100	FY 2037	29,995,825
FY 2028	27,495,125	FY 2038	29,995,850
FY 2029	27,998,700	FY 2039	29,996,750
FY 2030	28,499,525	FY 2040	29,995,225
FY 2031	28,999,575	FY 2041	29,997,975
FY 2032	29,495,550	FY 2042	29,996,150
FY 2033	29,999,150	FY 2043	29,996,175
FY 2034	29,996,250	FY 2044	29,998,925

Statute requires the Auditor General to estimate annually how the amounts of General Fund revenues resulting from the Convention Center expansion compare to debt service payments made by the state since the project's calendar year (CY) 2009 completion. If the cumulative estimated revenues from the project fail to meet the state's cumulative debt service, the state is to reduce its payments to the City of Phoenix by the shortfall amount. The latest study found that estimated General Fund revenues exceeded the state's debt service payments by

\$6,989,100 through CY 2022 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time.

<u>Calendar Year^{1/}</u>	<u>Project Revenue</u>	<u>Debt Service</u>	<u>Annual Net Revenues^{2/}</u>	<u>Cumulative Net Revenues</u>
2022	\$19.2	\$25.0	\$(5.8)	\$7.0
2021	6.6	24.5	(17.9)	12.8
2020	7.2	24.0	(16.8)	30.7
2019	23.6	23.5	0.1	47.5
2018	23.5	23.0	0.5	47.4
2017	19.0	22.5	(3.5)	46.9
2016	20.6	20.4	0.2	50.4
2015	20.5	20.4	0.1	50.2
2014	15.0	20.4	(5.4)	50.1
2013	9.1	20.4	(11.3)	55.5
2012	13.6	5.6	8.0	66.8
2011	15.4	0.0	15.4	58.8
2010	14.7	10.0	4.7	43.4
2009	17.3	5.0	12.3	38.7
2004-2008	26.4	0.0	26.4	26.4

1/ Statute requires the Auditor General study to include estimates by calendar year but specifies the state's debt service obligation by fiscal year. Debt service payments for fiscal years are listed in the calendar year they were made.

2/ Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2022)*

The study compares current convention center revenues to a "base scenario" (had the facility not been upgraded) in order to determine the project's net revenues. This "base scenario" assumed the facility would become functionally obsolete and generate minimal revenues by 2021.

Rio Nuevo District

The budget includes \$17,000,000 from the General Fund in FY 2025 for distributions to finance the development of a multipurpose facility and supporting projects in the Rio Nuevo Multipurpose Facilities District. This amount is unchanged from FY 2024.

The FY 2024 General Appropriation Act displayed the projected Rio Nuevo distribution as \$16,000,000 in FY 2024. This amount was based on continuing the assumed Rio Nuevo distribution of \$16,000,000 in FY 2023.

Subsequent to the passage of the FY 2024 budget, actual FY 2023 information became available, and the FY 2023 actual distribution was \$17,113,500. Given that data, the FY 2025 JLBC Baseline subsequently revised both the FY 2024 and FY 2025 Rio Nuevo

distribution estimates to \$17,000,000. The enacted budget adopted this \$17,000,000 estimate for both years.

While the General Appropriation Act each year displays a projected amount for information purposes, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Background – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District. The district receives a diversion of state Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Boulevard. (See Table 3 for the history of Rio Nuevo TPT payments).

<u>Fiscal Year</u>	<u>Distributions</u>
FY 2023	\$17,113,500
FY 2022	16,516,600
FY 2021	9,525,700
FY 2020	14,478,800
FY 2019	15,958,900
FY 2018	13,562,700
FY 2017	13,988,500
FY 2016	13,088,800
FY 2015	6,958,000
FY 2014	9,486,100
FY 2013	9,755,800
FY 2012	11,957,900
FY 2011	14,099,900
FY 2010	8,727,300
FY 2009	10,399,300
FY 2008	15,456,200
FY 2007	14,974,900
FY 2006	10,968,200
FY 2005	7,469,600
FY 2004	5,081,200
Total	\$239,567,900

A.R.S. § 48-4203 requires that any construction project (or other improvement to real property) controlled by the District with a cost of more than \$500,000 be presented to the Joint Committee on Capital Review (JCCR).

The Rio Nuevo Board of Directors submitted information to JCCR in September 2023 regarding 5 projects that have been approved by the District. The board agreed to spend a total of \$7.6 million on these projects. The Committee took no action on this report.