

Capital Outlay - Arizona Department of Transportation

FY 2026
APPROVED

ADOT FACILITIES

Building Renewal	23,385,300 ^{1/}
Avondale Vehicle Repair Shop	6,951,000
Little Antelope and Gray Mountain Maintenance Offices	6,861,000
FY 2022 Vehicle Fueling Facilities Lapsing Extension	0 ^{2/}

INDIVIDUAL PROJECTS

Airport Planning and Development

Airport Planning and Development	44,340,700 ^{3/4/5/}
Grand Canyon Airport Renovation	850,300 ^{6/}

ADOT Highway and Road Projects

Controlled Access Highways	141,314,000 ^{5/7/-10/}
Debt Service	118,773,000 ^{5/7/-10/}
Statewide Highway Construction	198,683,000 ^{5/7/-10/}
I-10 Widening, SR 85 to Citrus Road	27,000,000
Olga Frontage Road Repavement Design	850,000
SR 70 Safety Improvements	1,400,000
SR 87/SR 260 Turn Lane	2,129,800
SR 347 Design, I-10 to Maricopa	1,500,000
SR 303/155th Avenue Interchange Design	3,500,000 ^{11/}
SR 347/Riggs Road Overpass Construction	41,400,000
SR 347 Intersection Improvements	10,839,000
SR 389 Traffic Control Systems	1,500,000

Distributions to Local Governments

Bullhead City, Hancock Road Improvements	1,500,000 ^{12/}
Cottonwood, Main Street Preservation	1,000,000 ^{13/}
Flagstaff, Traffic Light Signal Design	1,900,000 ^{14/}
Glendale, 75th Avenue Reconstruction	3,000,000 ^{15/}
Kingman, Eastern Street Improvements	1,500,000 ^{16/}
Mohave County, Mountain View Road Improvements	1,000,000 ^{17/}
Nogales, Frank Reed Road Improvements	1,500,000 ^{18/}
Nogales, Industrial Park Road Improvements	2,900,000 ^{19/}
Nogales, La Quinta Road Improvements	1,800,000 ^{20/}
Patagonia, McKeown Avenue Improvements	0 ^{21/}
Prescott Regional Airport, Infrastructure	3,500,000 ^{22/}
Prescott Regional Airport, Maintenance	500,000 ^{23/}
Yuma County, Bridge Replacement	1,300,000 ^{24/}

AGENCY TOTAL

652,677,100 ^{25/26/}

FUND SOURCES

General Fund	111,518,800
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Other Appropriated Funds

State Aviation Fund	45,585,900
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State Highway Fund	495,572,400
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SUBTOTAL - Other Appropriated Funds	541,158,300
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SUBTOTAL - Appropriated Funds	652,677,100
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Other Non-Appropriated Funds	759,347,000
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Federal Funds	1,097,420,000
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TOTAL - ALL SOURCES	2,509,444,100
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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 2025-2026 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 appropriation of \$1,800,000 to the department of transportation for replacing vehicle fueling facilities in Flagstaff, Holbrook and Kingman made by Laws 2021, Chapter 406, Section 31 in fiscal year 2021-2022 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (Capital Outlay Appropriation Act footnote)
- 3/ The sum of \$44,340,700 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2025-2026 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 2025-2026 for the purposes provided in this subsection. (Capital Outlay Appropriations Act footnote)
- 4/ On or before December 31, 2025, 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 Appropriations Act footnote)
- 5/ 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. (Capital Outlay Appropriation Act footnote)
- 6/ The monies appropriated to the department of transportation to renovate the Grand Canyon airport terminal revert to the state aviation fund established by section 28-8202, Arizona Revised Statutes, on June 30, 2026 if the department does not receive a federal aviation administration grant for the project. (Capital Outlay Appropriation Act footnote)
- 7/ The sum of \$458,770,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2025-2026 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 Appropriations Act footnote)
- 8/ On or before November 1, 2025, 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 Appropriations Act footnote)
- 9/ On or before November 1, 2025, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2026-2027 and the estimated debt service payment amount for each of fiscal years 2026-2027, 2027-2028, 2028-2029 and 2029-2030 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 2024-2025 appropriations report. (Capital Outlay Appropriations Act footnote)
- 10/ On or before November 1, 2025, the department of transportation shall report capital outlay information for fiscal years 2024-2025, 2025-2026 and 2026-2027 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 three, four and seven, as found in the fiscal year 2024-2025 appropriations report. (Capital Outlay Appropriations Act footnote)

- 11/ The legislature intends that a local government or council of government entity contribute \$900,000 in matching monies to the project described in this paragraph. The department may not expend any monies appropriated in this paragraph until the department can confirm the matching commitment to the project. (Capital Outlay Appropriation Act footnote)
- 12/ The department of transportation shall submit an intergovernmental agreement to the city of Bullhead City for Hancock Road improvements on or before September 15, 2025. If the city of Bullhead City agrees to the intergovernmental agreement, the monies appropriated in this paragraph for Hancock Road improvements shall be distributed to the city of Bullhead City on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 13/ The department of transportation shall submit an intergovernmental agreement to the City of Cottonwood for Main Street preservation and sidewalk improvements on or before September 15, 2025. If the City of Cottonwood agrees to the intergovernmental agreement, the monies appropriated in this paragraph for Main Street preservation and sidewalk improvements shall be distributed to the City of Cottonwood on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 14/ The department of transportation shall submit an intergovernmental agreement to the City of Flagstaff to design and construct a traffic light signal at the intersection of Woody Mountain Road and US Route 66 on or before September 15, 2025. If the City of Flagstaff agrees to the intergovernmental agreement, the monies appropriated in this paragraph to design and construct a traffic light signal at the intersection of Woody Mountain Road and US Route 66 shall be distributed to the City of Flagstaff on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 15/ The department of transportation shall submit an intergovernmental agreement to the City of Glendale for the 75th Avenue reconstruction project on or before September 15, 2025. If the City of Glendale agrees to the intergovernmental agreement, the monies appropriated in this paragraph for the 75th Avenue reconstruction project shall be distributed to the City of Glendale on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 16/ The department of transportation shall submit an intergovernmental agreement to the City of Kingman for the Eastern Street infrastructure improvements project on or before September 15, 2025. If the City of Kingman agrees to the intergovernmental agreement, the monies appropriated in this paragraph for the Eastern Street infrastructure improvements project shall be distributed to the City of Kingman on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 17/ The department of transportation shall submit an intergovernmental agreement to Mohave County for Mountain View Road improvements on or before September 15, 2025. If Mohave County agrees to the intergovernmental agreement, the monies appropriated in this paragraph for Mountain View Road improvements shall be distributed to Mohave County on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 18/ The department of transportation shall submit an intergovernmental agreement to the City of Nogales for improvements to Frank Reed Road on or before September 15, 2025. If the City of Nogales agrees to the intergovernmental agreement, the monies appropriated in this paragraph for improvements to Frank Reed Road shall be distributed to the City of Nogales on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 19/ The department of transportation shall submit an intergovernmental agreement to the City of Nogales for improvements to Industrial Park Road on or before September 15, 2025. If the City of Nogales agrees to the intergovernmental agreement, the monies appropriated in this paragraph for improvements to Industrial Park Road shall be distributed to the City of Nogales on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 20/ The department of transportation shall submit an intergovernmental agreement to the City of Nogales for improvements to La Quinta Road on or before September 15, 2025. If the City of Nogales agrees to the intergovernmental agreement, the monies appropriated in this paragraph for improvements to La Quinta Road shall be distributed to the City of Nogales on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 21/ In addition to the use prescribed in Laws 2023, Chapter 135, Section 10, Subsection A, Paragraph 10, as amended by Laws 2024, Chapter 211, Section 1, the town of Patagonia may use monies distributed to the town by the department of transportation to reconstruct McKeown Avenue between Third Avenue West and State Route 82 (Capital Outlay Appropriation Act footnote)
- 22/ The department of transportation shall submit an intergovernmental agreement to the Prescott regional airport for infrastructure supporting firefighting aircraft on or before September 15, 2025. If the Prescott regional airport agrees to the intergovernmental agreement, the monies appropriated in this paragraph for infrastructure supporting firefighting aircraft shall be distributed to the Prescott regional airport on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 23/ The department of transportation shall submit an intergovernmental agreement to the Prescott regional airport for maintenance and operations on or before September 15, 2025. If the Prescott regional airport agrees to the intergovernmental agreement, the monies appropriated in this paragraph for maintenance and operations shall be distributed to the Prescott regional airport on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)

- 24/ The department of transportation shall submit an intergovernmental agreement to Yuma County for the bridge replacement project on Somerton Avenue between West County 10th Street and West County 11th Street on or before September 15, 2025. If Yuma County agrees to the intergovernmental agreement, the monies appropriated in this paragraph for the bridge replacement project on Somerton Avenue between West County 10th Street and West County 11th Street shall be distributed to Yuma County on or before November 1, 2025. (Capital Outlay Appropriation Act footnote)
- 25/ 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)
- 26/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Unless otherwise specified, funding for capital projects in appropriated by Laws 2025, Chapter 235 (FY 2026 Capital Outlay Bill).

ADOT Facilities

Building Renewal

The budget includes \$23,385,300 in FY 2026 for Building Renewal within ADOT's Building System. This amount consists of \$22,990,400 from the State Highway Fund (SHF) and \$394,900 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 2026 highway building renewal formula and 100% funding of the FY 2026 aviation building renewal formula. The FY 2025 budget appropriated \$22,082,800 from the SHF and \$457,300 from the SAF, which represented 100% funding of the FY 2025 highway building renewal formula and 100% funding of the FY 2025 aviation building renewal formula.

Avondale Vehicle Repair Shop Improvements

The budget includes \$6,951,000 from the SHF in FY 2026 for improvements to the vehicle repair shop in Avondale. The funding will be used to construct a new 10,000 square foot shop facility on existing property with six vehicle service stations capable of maintaining 265 vehicles and heavy equipment.

Little Antelope and Gray Mountain Maintenance Facilities

The budget includes \$6,861,000 from the SHF in FY 2026 for the construction of new maintenance facilities in Little Antelope and Gray Mountain. Both facilities were constructed over 35 years ago and their size cannot adequately support current operational needs. The funding would construct 2 new 3,500 square foot modular buildings (one at each location) to provide support for highway maintenance staff. Each building will include

1,000 square feet of space dedicated specifically to DPS personnel.

Airport Planning and Development

Airport Planning and Development

The budget includes \$44,340,700 from the SAF in FY 2026 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 2025-2029 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 2025 budget included \$25,550,000 for this purpose.

Grand Canyon Airport Renovation

The budget includes \$850,300 from the SAF in FY 2026 to provide the 5% state match portion (federal grant would provide \$16,200,000) for renovating and expanding the Grand Canyon National Airport terminal. The renovation includes adding a new airline gate and accommodations sized for a 737-class aircraft. The funding includes a footnote which reverts the funding back to the SAF on June 30, 2026 if the department does not receive a federal grant for the project.

ADOT Highway and Road Projects

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$141,314,000 from SHF in FY 2026. 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 \$118,773,000 from SHF in FY 2026 for the appropriated portion of the debt service on bonds. ADOT has approximately \$903,150,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2026 debt service payments. *(Please see Table 5 for more information on debt service.)*

Statewide Highway Construction

The budget includes \$198,683,000 from SHF in FY 2026 for new highway construction. Only a small portion of the state's total \$2,125,900,000 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 5 in Other Issues for additional information.)* A footnote in the FY 2026 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 6 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 6)*, an additional amount of \$695,207,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2026.

Table 1	
State Highway Fund	
FY 2026 Highway Construction & Debt Service	
	Capital Outlay Bill
Controlled Access	\$141,314,000
Debt Service	118,773,000
Highway Construction	198,683,000
Total	\$458,770,000

I-10 Widening, SR 85 to Citrus Road

The budget includes \$27,000,000 from the General Fund in FY 2026 to design and construct additional vehicle lanes, separated by a lighted median, on Interstate 10 between State Route 85 and Citrus Road. The project also includes advance appropriations of \$30,000,000 in FY 2027 and \$76,000,000 in FY 2028 from the FY 2025 Capital Outlay Bill (as amended by the FY 2026 Capital Outlay Bill). Across FY 2026 – FY 2028, the total General Fund contribution to the project is \$133,000,000. In addition to this funding, the City of Buckeye has committed \$3,000,000 to the project and MAG has committed \$10,000,000 to the project.

Olga Frontage Road Repavement Design

The budget includes \$850,000 from the General Fund in FY 2026 to design the repavement of Olga Frontage Road between mile post 366 and mile post 379.

SR 70 Safety Improvements

The budget includes \$1,400,000 from the General Fund in FY 2026 to construct safety improvements along State Route 70 from mile post 255 to mile post 301 near the San Carlos Apache reservation.

SR 87/SR 260 Turn Lane

The budget includes \$2,129,800 from the General Fund in FY 2026 to design an additional right-hand turn lane on northbound State Route 87 and State Route 260 near Payson. Of the \$2,129,800, \$1,529,800 was redirected from a FY 2024 project distribution to Payson for a roundabout construction and improvements at the intersection of Longhorn Road and McLane Road.

SR 347 Design, I-10 to Maricopa

The budget includes \$1,500,000 from the General Fund in FY 2026 to design a project to widen lanes along State Route 347 between Interstate 10 and the city of Maricopa.

SR 303/155th Avenue Interchange Design

The budget includes \$3,500,000 from the General Fund in FY 2026 to design a traffic interchange and connecting arterial roadways at State Route 303 and 155th Avenue. The project includes a legislative intent footnote that a local government or council of government entity contribute \$900,000 in matching funding to the project. ADOT may not expend any the monies until the matching commitment has been confirmed.

SR 347/Riggs Road Overpass Construction

The budget includes \$41,400,000 from the General Fund in FY 2026 for right-of-way acquisition, utility relocation, natural resource recovery and construction of an overpass at Riggs Road and State Route 347. The project also includes an advance appropriation of \$49,000,000 in FY 2028 from the FY 2025 Capital Outlay Bill for total overall project funding of \$90,400,000.

SR 347 Safety Intersection Improvements

The budget includes \$10,839,000 from the General Fund in FY 2026 to improve the intersection on State Route 347 at Casa Blanca Road and Cement Plant Access Road. The project also received \$18,000,000 from the General Fund in FY 2024. The additional funding in FY 2026 is intended to cover a funding shortfall. Total project funding will now be \$28,839,000.

SR 389 Traffic Control Systems

The budget includes \$1,500,000 from the General Fund in FY 2026 to install traffic control systems along State Route 389 near Colorado City.

Distributions to Local Governments

The distributions to local governments below include footnote language requiring ADOT to submit an intergovernmental agreement to the local entity for the project on or before September 15, 2025. If the local entity agrees to the intergovernmental agreement, ADOT is required to distribute the monies to the local entity on or before November 1, 2025.

Bullhead City, Hancock Road Improvements

The budget includes \$1,500,000 from the General Fund in FY 2026 to distribute to Bullhead City for improvements to Hancock Road.

Cottonwood, Main Street Preservation

The budget includes \$1,000,000 from the General Fund in FY 2026 to distribute to the City of Cottonwood for Main Street preservation and sidewalk improvements.

Flagstaff, Traffic Light Signal Design

The budget includes \$1,900,000 from the General Fund in FY 2026 to distribute to the City of Flagstaff to design and construct a traffic light signal at the intersection of Woody Mountain Road and US Route 66.

Glendale, 75th Avenue Reconstruction

The budget includes \$3,000,000 from the General Fund in FY 2026 to distribute to the City of Glendale for the 75th Avenue reconstruction project.

Kingman, Eastern Street Improvements

The budget includes \$1,500,000 from the General Fund in FY 2026 to distribute to the City of Kingman for Eastern Street infrastructure improvements.

Mohave County, Mountain View Road Improvements

The budget includes \$1,000,000 from the General Fund in FY 2026 to distribute to Mohave County for Mountain View Road improvements.

Nogales, Frank Reed Road Improvements

The budget includes \$1,500,000 from the General Fund in FY 2026 to distribute to the City of Nogales for improvements to Frank Reed Road.

Nogales, Industrial Park Road Improvements

The budget includes \$2,900,000 from the General Fund in FY 2026 to distribute to the City of Nogales for improvements to Industrial Park Road.

Nogales, La Quinta Road Improvements

The budget includes \$1,800,000 from the General Fund in FY 2026 to distribute to the City of Nogales for improvements to La Quinta Road.

Prescott Regional Airport, Infrastructure

The budget includes \$3,500,000 from the General Fund in FY 2026 to distribute to the Prescott regional airport for infrastructure supporting firefighting aircraft.

Prescott Regional Airport, Maintenance

The budget includes \$500,000 from the General Fund in FY 2026 to distribute to the Prescott regional airport for maintenance and operations.

Yuma County, Bridge Replacement

The budget includes \$1,300,000 from the General Fund in FY 2026 to distribute to Yuma County for the bridge replacement project on Somerton Avenue between West County 10th Street and West County 11th Street.

Other Issues

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$1,546,185,000 in FY 2024 to \$1,900,620,000 in FY 2025 and \$1,856,767,000 in FY 2026.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2026 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

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 21, 2024 includes monies from SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by

the State Transportation Board totals \$1,802,758,000 for FY 2026. (Please see Table 3 for additional details.)

Table 2 Non-Appropriated Capital Fund Expenditures (\$ in Thousands)			
	FY 2024	FY 2025	FY 2026
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$2,386	\$9,963	\$20,017
Highway Federal Grants	<u>1,092,516</u>	<u>1,075,485</u>	<u>1,077,403</u>
Subtotal - Federal Funds	\$1,094,902	\$1,085,448	\$1,097,420
Bond Proceeds	\$59,976	\$3,032	\$11,915
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	13,170	8,739	8,508
Maricopa Regional Area Road Fund	377,137	802,401	737,924
Subtotal - Other Non-Appropriated Funds	\$451,283	\$815,172	\$759,347
Total	\$1,546,185	\$1,900,620	\$1,856,767

Table 3 State Highway Fund Highway Construction Projects Beginning in FY 2026 (\$ in Thousands)	
	<u>FY 2026 ^{1/}</u>
Construction	\$162,094
Urban Controlled Access ^{2/}	747,345
Pavement Preservation Maintenance	666,363
Other ^{3/}	<u>226,956</u>
Total	\$1,802,758

^{1/} Data from ADOT's 2025-2029 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2026.
^{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.

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. The FY 2026 budget includes \$458,770,000 for highway construction, including \$198,683,000 of net SHF monies for statewide highway construction.

Table 6 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2024 through FY 2026 on a cash flow basis, as provided by ADOT. Table 3, 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 2026 by category of construction. Table 6 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2024, Table 6 shows that total cash highway construction expenditures were \$1,216,600,000 while \$604,400,000 was spent on debt service. In FY 2025, total estimated cash highway construction expenditures are \$1,835,300,000 with total debt service of \$294,700,000. In FY 2026, total estimated cash highway construction expenditures are \$1,977,100,000 with total debt service of \$148,800,000.

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 \$143,304,200 in FY 2024, \$165,300,900 in FY 2025, and \$164,274,100 in FY 2026. Of the \$148,800,000 total FY 2026 debt service amount in Table 7, only \$118,773,000 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 4 explains the formula distribution of HURF monies between state and local governments. Table 7 presents the overall HURF distribution for FY 2024 through FY 2026. The line in Table 7 showing net SHF Available for Statewide Highway Construction, which totals \$198,683,000 for FY 2026, 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 2024 HURF collections of \$1,801,131,000 were 3.0% above FY 2023 collections. As of June 2025, FY 2025 HURF year-to-date collections were 2.0% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 32.7% of HURF revenue in FY 2024, a percentage which has been increasing in recent years. From FY 2020 to FY 2024, the gas tax share of total collections has decreased by (4.5)% while VLT's share has increased by 0.7%.

The gas tax comprises the second largest source of HURF collections at 30.3%.

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

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	42.8%
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.

Long-Term Budget Impacts

FY 2028 I-10 Widening, SR 85 to Citrus Road

The FY 2026 Capital Outlay Bill includes a decrease of \$(2,000,000) from the General Fund in FY 2028 to design and construct additional vehicles lanes, separated by a lighted median, on Interstate 10 between State Route 85 and Citrus Road. This reduces the advance appropriation for the project from \$78,000,000 to \$76,000,000 in FY 2028.

FY 2028 Pinal County, West Pinal Parkway East-West Corridor Design

The FY 2026 Capital Outlay Bill removes the advance appropriation of \$9,240,000 from the General Fund in FY 2028 to distribute to Pinal County for engineering and design of the West Pinal Parkway East-West Corridor.

Pinal County originally received \$9,240,000 for this project in the FY 2024 budget. In the FY 2025 budget, in order to provide short-term General Fund savings, the FY 2024 funding was removed and the monies were instead advance appropriated in FY 2028. Pinal County has not responded to requests from ADOT to return the FY 2024 monies. As a result, the FY 2026 budget removes the FY 2028 advance appropriation for the West Pinal Parkway East-West Corridor design.

FY 2024 and Prior Year Individual Project Reductions

The FY 2026 Capital Outlay Bill includes two prior year transportation project reductions to address changes in project costs and legislative priorities. *Table 5* displays the 2 projects that received reductions: US 191 pavement rehabilitation (Armory Road to East Safford) and Payson roundabout construction.

The US 191 pavement rehabilitation project has been completed and the reduction reflects surplus funding removed from the project. The funding for the Payson roundabout construction has been removed entirely and the budget instead redirects those monies to design an additional right-hand turn lane on northbound State Route 87 and State Route 260 near Payson.

Table 5

FY 2026 Capital Outlay Bill Transportation Project Reductions

	<u>Original Appropriation</u>	<u>Change</u>	<u>Revised Total</u>
Project Reductions			
FY 23 SHF - US 191 Pavement Rehabilitation (Armory Road to East Safford)	\$ 18,981,000	\$ (2,500,000)	\$ 16,481,000
FY 24 GF - Payson, Roundabout Construction	1,529,800	(1,529,800)	0

Table 6

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

<u>Sources</u>	<u>FY 2024</u> <u>Actual</u>	<u>FY 2025</u> <u>Estimate</u>	<u>FY 2026</u> <u>Estimate</u>
State Highway Fund (SHF)			
HURF - Statewide Debt Service	\$ 410.1	\$ 102.6	\$ 106.9
HURF - MAG Debt Service	23.7	21.9	11.8
MAG/PAG 15.2% Controlled Access - Construction	4.4	18.3	28.2
Net SHF Funds Available for Statewide Highway	(92.6)	177.9	198.7
Total State Highway Fund	\$ 345.6	\$ 320.7	\$ 345.6
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 1,092.5	\$ 1,075.5	\$ 1,077.4
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 169.2	\$ 581.9	\$ 682.5
MRARF Debt Service	140.5	140.2	0
Total Maricopa Regional Area Road Fund Highway	\$ 309.7	\$ 722.1	\$ 682.5
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 60.0	\$ 3.0	\$ 11.9
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	0	0	0
Total Bond Proceeds Highway Construction Expenditures	\$ 60.0	\$ 3.0	\$ 11.9
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	13.2	8.7	8.5
Total Local Agency Deposits Fund Highway Construction	\$ 13.2	\$ 8.7	\$ 8.5
Total Highway Construction Expenditures	\$ 1,821.0	\$ 2,130.0	\$ 2,125.9
Total Debt Service			
SHF	\$ 433.8	\$ 124.5	\$ 118.8
Federal Aid	30.0	30.0	30.0
MRARF	140.6	140.2	0 ^{1/}
Total Debt Service	\$ 604.4	\$ 294.7	\$ 148.8 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ (88.3)	\$ 196.2	\$ 226.9
Federal Aid	1,062.6	1,045.5	1,047.3
MRARF	169.1	581.9	682.5
Bond Proceeds	60.0	3.0	11.9
Local Agency Deposits Fund	13.2	8.7	8.5
Total Cash Highway Construction Expenditures	\$ 1,216.6	\$ 1,835.3	\$ 1,977.1
Total Highway Construction Expenditures	\$ 1,821.0	\$ 2,130.0	\$ 2,125.9

^{1/} MRARF debt service assumes all debt incurred as a result of Prop 400 collections will be paid off by FY 2026. MAG's current Transportation Improvement Plan (TIP) does not include Prop 479 figures (half-cent sales tax extension) passed by Arizona voters in November 2024. As of this writing, ADOT is awaiting a new TIP in order to estimate MRARF debt service in FY 2026 and beyond.

^{2/} Information provided by the department. Includes \$118,772,579 for HURF bonds (\$106,943,470 for statewide program and \$11,829,108 MAG program); \$29,970,500 for Grant Anticipation Notes; and \$0 for MRARF bonds.

Table 7

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

	FY 2024	FY 2025	FY 2026
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,829,804	\$1,881,859	\$1,912,140
Less: ServiceArizona ATP Fee Retention	6,667	6,857	6,967
Brick and Mortar ATP Fee Retention	7,381	7,591	7,714
ServiceArizona ATP Credit Card Fee Reimbursements	12,372	12,724	12,929
Brick and Mortar ATP Credit Card Fee Reimbursements	1,985	2,041	2,074
ServiceArizona ATP Check Reimbursement	268	275	280
Total HURF Collections	\$1,801,131	\$1,852,371	\$1,882,176
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	781	952	952
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,725	11,941	12,105
Net HURF Collections	\$1,787,625	\$1,838,478	\$1,868,119
Less: Cities ^{2/}	545,226	560,736	569,777
Counties ^{2/}	339,649	349,311	354,943
VLT Transfer to Parity Compensation Fund ^{3/}	4,393	4,633	4,806
VLT Transfer to General Fund (5-Year VLT) ^{4/}	3,599	3,700	3,800
VLT Transfer to General Fund (Abandoned Vehicle) ^{5/}	4,947	5,000	5,100
VLT Transfer to General Fund (ADOT Operating Budget) ^{6/}	0	2,000	2,000
Controlled Access ^{7/}	135,251	138,791	141,314
Net SHF (Discretionary)	\$ 754,560	\$ 774,307	\$ 786,379
Plus: Other Income ^{8/}	110,429	116,387	104,925
Less: Operating Budget	430,779	488,489	522,476
Dept of Public Safety Transfer from Highway Fund	6,273	10,000	10,000
Capital Outlay	20,100	9,088	13,812
Building Renewal	21,978	22,083	22,990
ServiceArizona ATP VLT Retention ^{9/}	23,739	24,811	25,739
Brick and Mortar ATP VLT Retention ^{9/}	17,604	18,399	19,087
HURF Exchange Program ^{10/}	3,309	15,384	15,384
Debt Service ^{11/}	433,772	124,543	118,773
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{12/13/}	\$ (92,565)	\$ 177,897	\$ 143,043
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	517,685	644,367	695,207
STAN Account Beginning Balance	0	0	0
Total SHF Available for Statewide Highway Construction	\$ 425,120	\$ 822,264	\$ 838,250

^{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/} This VLT transfer to the state General Fund reflects savings generated from the department's operating budget as a result of an ongoing decrease in the Enforcement and Compliance Division (ECD). The FY 2025 budget reduced ADOT's ECD budget by \$2,000,000, beginning in FY 2025.

^{7/} 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.

^{8/} 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.

^{9/} Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

^{10/} Local entities can exchange federal aid monies for State Highway Fund monies.

^{11/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{12/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

^{13/} 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.