

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2005
LINDA AGUIRRE
TIMOTHY S. BEE
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HOUSE OF
REPRESENTATIVES

TOM BOONE
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PHIL LOPES
RUSSELL K. PEARCE
STEPHEN TULLY

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, February 22, 2005

8:00 a.m.

Senate Approps Room 109

MEETING NOTICE

- Call to Order
 - DIRECTOR'S REPORT (if necessary).
1. Consider Adoption of FY 2006 Capital Outlay Budget.

The Chairman reserves the right to set the order of the agenda.
2/17/05

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.

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DATE: February 3, 2005

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Assistant Director

SUBJECT: Consider Adoption of FY 2006 Capital Outlay Budget

The Committee is being asked to consider the adoption of the Capital Outlay Budget for FY 2006. The attached materials include a comparison of the JLBC and Executive Capital Outlay Budgets from the FY 2006 Budget JLBC Book II and the detail on the JLBC capital items from the FY 2006 JLBC Budget Book.

RS/LM:jb

CAPITAL OUTLAY BUDGET

CAPITAL OUTLAY - SUMMARY

	JLBC	EXECUTIVE
Total Appropriations (Pg. 495)	<u>FY 2006</u> • \$435.5 M OF	<u>FY 2006</u> • \$237.9 M OF
Building Renewal (Pg. 495, 498, 500)	<ul style="list-style-type: none"> • \$8.9 M OF total for building renewal -- \$5.2 M OF for the ADOA Building System -- \$3.7 M OF for the ADOT Building System 	<ul style="list-style-type: none"> • \$8.9 M OF total for building renewal -- \$5.2 M OF for the ADOA Building System -- \$3.7 M OF for the ADOT Building System
New Projects (Pg. 498, 499, 500, 501)	<ul style="list-style-type: none"> • \$426.5 M OF total for new capital projects -- \$706,900 OF for the ADOA Building System -- \$425.8 M OF for the ADOT Building System 	<ul style="list-style-type: none"> • \$229 M OF total for new capital projects -- \$530,000 OF for the ADOA Building System -- \$228.5 M OF for the ADOT Building System

Capital Outlay

Summary

	FY 2006 OSPB		FY 2006 JLBC	
	General Fund	Other Funds	General Fund	Other Funds
BUILDING RENEWAL				
Arizona Department of Administration Building System	0	5,823,300	0	5,223,300
Arizona Department of Transportation Building System	0	3,075,800	0	3,702,900
SUBTOTAL	0	8,899,100	0	8,926,200
NEW PROJECTS				
Arizona Department of Administration Building System	0	530,000	0	706,900
Arizona Department of Transportation Building System	0	228,477,600	0	425,824,000
SUBTOTAL	0	229,007,600	0	426,530,900
TOTALS				
Arizona Department of Administration Building System	0	6,353,300	0	5,930,200
Arizona Department of Transportation Building System	0	231,553,400	0	429,526,900
TOTAL - ALL PROJECTS	0	237,906,700	0	435,457,100
<hr/>				
FUND SOURCES				
<u>Other Appropriated Funds</u>				
Capital Outlay Stabilization Fund		4,000,000		3,400,000
Arizona Exposition and State Fair Fund		1,386,800		1,386,800
State Lottery Fund		47,600		124,500
Game and Fish Fund		418,900		418,900
Game and Fish Capital Improvement Fund		500,000		500,000
Waterfowl Conservation Fund		0		100,000
State Aviation Fund		21,358,800		17,031,800
State Highway Fund		210,194,600		412,495,100
SUBTOTAL - Other Appropriated Funds		237,906,700		435,457,100
SUBTOTAL - Appropriated Funds		237,906,700		435,457,100
TOTAL - ALL SOURCES		237,906,700		435,457,100

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM - CAPITAL OUTLAY

	JLBC	EXECUTIVE
Total Appropriations (Pg. 498)	FY 2006 • \$5.9 M OF	FY 2006 • \$6.4 M OF
Building Renewal (Pg. 498)	<ul style="list-style-type: none"> • \$3.4 M and 5 FTE Positions from the Capital Outlay Stabilization Fund to fund 15% of the ADOA Building System building renewal formula • In combination with COSF recommendations in other agencies, Executive proposal overcommits use of COSF • \$1.4 M from the Arizona Exposition and State Fair Fund to fund 100% of the building renewal formula • \$388,900 from the Game and Fish Fund to fund 100% of the building renewal formula • \$47,600 from the State Lottery Fund to fund 100% of the building renewal formula 	<ul style="list-style-type: none"> • \$4 M and 5 FTE Positions from the Capital Outlay Stabilization Fund to fund 18% of the ADOA Building System building renewal formula • \$1.4 M from the Arizona Exposition and State Fair Fund to fund 100% of the building renewal formula • \$388,900 from the Game and Fish Fund to fund 100% of the building renewal formula • \$47,600 from the State Lottery Fund to fund 100% of the building renewal formula
Lottery Facility Improvements (Pg. 498)	<ul style="list-style-type: none"> • \$76,900 from the State Lottery Fund for flooring and fixture replacements, and fire alarm upgrades 	<ul style="list-style-type: none"> • Does not include
Game and Fish Projects (Pg. 499)	<ul style="list-style-type: none"> • \$630,000 from Game and Fish funds for 3 capital projects: <ul style="list-style-type: none"> -- \$500,000 from the Game and Fish Capital Improvement Fund for Black Canyon Dam Modifications to accommodate a major flood -- \$30,000 from the Game and Fish Fund to continue the Statewide Preventative Maintenance program -- \$100,000 from the Waterfowl Conservation Fund for the acquisition of waterfowl habitat 	<ul style="list-style-type: none"> • \$530,000 from Game and Fish funds for 2 capital projects: <ul style="list-style-type: none"> -- \$500,000 from the Game and Fish Capital Improvement Fund for Black Canyon Dam Modifications to accommodate a major flood event -- \$30,000 from the Game and Fish Fund to continue the Statewide Preventative Maintenance program -- Does not include

Capital Outlay
Arizona Department of Administration Building System

	FY 2006 OSPB		FY 2006 JLBC	
	General Fund	Other Funds	General Fund	Other Funds
BUILDING RENEWAL				
Arizona Department of Administration	0	4,000,000	0	3,400,000
Arizona Exposition and State Fair Board	0	1,386,800	0	1,386,800
Game and Fish Department	0	388,900	0	388,900
Arizona Lottery Commission	0	47,600	0	47,600
SUBTOTAL	0	5,823,300	0	5,223,300
NEW PROJECTS				
Lottery Facility Improvements	0	0	0	76,900
Game and Fish Black Canyon Dam Modifications	0	500,000	0	500,000
Game and Fish Statewide Preventative Maintenance	0	30,000	0	30,000
Game and Fish Migratory Waterfowl Habitat	0	0	0	100,000
SUBTOTAL	0	530,000	0	706,900
TOTAL - ALL PROJECTS	0	6,353,300	0	5,930,200
<hr/>				
FUND SOURCES				
<u>Other Appropriated Funds</u>				
Capital Outlay Stabilization Fund		4,000,000		3,400,000
Arizona Exposition and State Fair Fund		1,386,800		1,386,800
State Lottery Fund		47,600		124,500
Game and Fish Fund		418,900		418,900
Game and Fish Capital Improvement Fund		500,000		500,000
Waterfowl Conservation Fund		0		100,000
SUBTOTAL - Other Appropriated Funds		6,353,300		5,930,200
SUBTOTAL - Appropriated Funds		6,353,300		5,930,200
TOTAL - ALL SOURCES		6,353,300		5,930,200

DEPARTMENT OF TRANSPORTATION - CAPITAL OUTLAY

	JLBC	EXECUTIVE
Total Appropriations (Pg. 500)	<u>FY 2006</u> • \$429.5 M OF	<u>FY 2006</u> • \$231.6 M OF
Building Renewal (Pg. 500)	<ul style="list-style-type: none"> • \$3.7 M OF including \$3.6 M from the State Highway Fund and \$75,800 from the State Aviation Fund for 100% funding of ADOT Building System building renewal formula 	<ul style="list-style-type: none"> • \$3.1 M OF including \$3 M from the State Highway Fund and \$75,800 from the State Aviation Fund, for 83% Highway Fund and 100% Aviation Fund funding
Buildings and Facilities (Pg. 500, 501)	<ul style="list-style-type: none"> • \$5.4 M State Highway Fund for: <ul style="list-style-type: none"> -- \$1.5 M for Payson equipment shop -- \$1.3 M for sprinklers/fire alarms -- \$1.1 M for de-icer buildings -- \$637,600 for oil storage tanks -- Does not include -- \$915,900 for Payson MVD service center. Has 213 customers per square foot of lobby - highest in state. -- Does not include. Has 104 customers per square foot of lobby - comparable to Tucson North's 105 and Northwest Phoenix's 101. 	<ul style="list-style-type: none"> • \$8.9 M State Highway Fund for: <ul style="list-style-type: none"> -- \$1.6 M for Payson equipment shop -- \$1.3 M for sprinklers/fire alarms -- \$1.1 M for de-icer buildings -- \$980,700 for oil storage tanks -- \$825,800 for vehicle wash racks -- Does not include -- \$3.1 M for Surprise MVD service center remodel
Controlled Access Highways (Pg. 501)	<ul style="list-style-type: none"> • \$92 M State Highway Fund for urban freeways in Maricopa and Pima Counties 	<ul style="list-style-type: none"> • \$90.8 M State Highway Fund for urban freeways in Maricopa and Pima Counties
Debt Service (Pg. 501)	<ul style="list-style-type: none"> • \$69 M State Highway Fund for appropriated debt service on bonds 	<ul style="list-style-type: none"> • \$69 M State Highway Fund for appropriated debt service on bonds
Statewide Highway Construction (Pg. 501)	<ul style="list-style-type: none"> • \$242.4 M State Highway Fund for statewide highway construction • Includes \$140 M beginning balance and \$46.5 M construction operating budget reimbursements • Without these adjustments, JLBC estimate is \$55.9 M • JLBC higher road dollars due to: <ul style="list-style-type: none"> -- lower ADOT operating costs (\$2.8 M) -- lower DPS spending (\$7.7 M) -- lower ADOT building costs (\$2.9 M) 	<ul style="list-style-type: none"> • \$38.5 M State Highway Fund for statewide highway construction
Airport Planning and Development (Pg. 501)	<ul style="list-style-type: none"> • \$17 M State Aviation Fund for airport construction program 	<ul style="list-style-type: none"> • \$21.3 M State Aviation Fund for airport construction program

Capital Outlay

Arizona Department of Transportation Building System

	FY 2006 OSPB		FY 2006 JLBC	
	General Fund	Other Funds	General Fund	Other Funds
BUILDING RENEWAL				
Arizona Department of Transportation	0	3,075,800	0	3,702,900
SUBTOTAL	0	3,075,800	0	3,702,900
NEW PROJECTS				
Payson Equipment Shop	0	1,563,500	0	1,536,500
Sprinklers/Fire Alarms	0	1,265,000	0	1,265,000
De-Icer Buildings	0	1,089,000	0	1,089,000
Oil Storage Tanks	0	980,700	0	637,600
Payson MVD Service Center	0	0	0	915,900
Surprise MVD Service Center	0	3,128,600	0	0
Vehicle Wash Racks	0	825,800	0	0
Airport Planning and Development	0	21,283,000	0	16,956,000
Controlled Access Highways	0	90,826,000	0	92,001,000
Debt Service	0	69,006,000	0	69,006,000
Statewide Highway Construction	0	38,510,000	0	55,967,000
Statewide Highway Construction - Beginning Balance and Reimbursements	0	0	0	186,450,000
SUBTOTAL	0	228,477,600	0	425,824,000
TOTAL - ALL PROJECTS	0	231,553,400	0	429,526,900
FUND SOURCES				
<u>Other Appropriated Funds</u>				
State Aviation Fund		21,358,800		17,031,800
State Highway Fund		210,194,600		412,495,100
SUBTOTAL - Other Appropriated Funds		231,553,400		429,526,900
SUBTOTAL - Appropriated Funds		231,553,400		429,526,900
TOTAL - ALL SOURCES		231,553,400		429,526,900

CAPITAL OUTLAY BUDGET

Capital Outlay

Summary

JLBC: Lorenzo Martinez

OSPB: David Reese

DESCRIPTION	FY 2006 JLBC
BUILDING RENEWAL	
ADOA Building System	5,223,300
ADOT Building System	3,702,900
SUBTOTAL	8,926,200
NEW PROJECTS	
ADOA Building System	706,900
ADOT Building System	425,824,000
SUBTOTAL	426,530,900
TOTALS	
ADOA Building System	5,930,200
ADOT Building System	429,526,900
TOTAL - ALL PROJECTS	435,457,100

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	3,400,000
Arizona Exposition and State Fair Fund	1,386,800
State Lottery Fund	124,500
Game and Fish Fund	418,900
Game and Fish Capital Improvement Fund	500,000
Waterfowl Conservation Fund	100,000
State Aviation Fund	17,031,800
State Highway Fund	412,495,100
SUBTOTAL - Other Appropriated Funds	435,457,100
SUBTOTAL - Appropriated Funds	435,457,100
TOTAL - ALL SOURCES	435,457,100

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, or enhance the state's capital stock which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other facilities which support the missions of the various state agencies. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

JLBC Recommendations – The following amounts are one-time appropriations.

Capital Outlay **FY 2006**
OF \$435,457,100
The Capital Outlay recommendation consists of 3 main categories: 1) Building Renewal 2) Advance Appropriations and 3) New Projects.

The JLBC recommends total funding of \$8,926,200 from Other Funds for Building Renewal in FY 2006. This amount includes:

Arizona Department of Administration	
Capital Outlay Stabilization Fund @15%	\$3,400,000
Exposition and State Fair Fund @ 100%	1,386,800
Game and Fish Fund @ 100%	388,900
State Lottery Fund @ 100%	47,600
Subtotal – ADOA	\$5,223,300
Arizona Department of Transportation	
State Highway Fund @ 100%	\$3,627,100
State Aviation Fund @ 100%	75,800
Subtotal – ADOT	\$3,702,900

(See the individual building systems write-ups for more information.)

The JLBC recommends total funding of \$426,530,900 from Other Funds for new capital projects in FY 2006. This amount includes \$76,900 from the State Lottery Fund for Lottery projects and \$630,000 from Game and Fish Department funds for Game and Fish Department projects within the ADOA Building System. The amount also includes \$408,868,000 from the State Highway Fund and \$16,956,000 from the State Aviation Fund for the ADOT Building System. (See the individual building systems write-ups for more information.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA, the Arizona Health Care Cost Containment System, the Industrial Commission, and the universities have entered into lease-purchase agreements for the acquisition and construction of state facilities.

The School Facilities Board has also entered into lease-purchase agreements for the construction of new schools. The state has also committed to participating in repayment of \$300,000,000 for the expansion of the Phoenix Civic Plaza. The City of Phoenix issued \$600,000,000 in COPs in FY 2005. The state is not required to begin repayment of its share of \$300,000,000 until the project is completed in 2009.

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

Bonding Summary

The Arizona Board of Regents (ABOR), on behalf of the universities, the Arizona Department of Transportation (ADOT), and the School Facilities Board (SFB) have issued bonds to renovate, acquire and construct facilities, as well as purchase equipment.

SFB has also issued Qualified Zone Academy Bonds (QZABs). The QZAB program, enacted through federal legislation, allows state and local agencies to issue QZABs at low interest rates by providing federal tax credits to bond holders. SFB issued \$20,000,000 in QZABs in FY 2003. The debt service on QZABs is paid from Permanent State School Fund revenues.

Table 1 also shows the original bond issuance and the payment for FY 2006 for current bond issuances.

Table 1	Lease-Purchase Summary	
	Balance ^{1/}	FY 2006 Pymt
ADOA Building System		
2001A/B Issuance/Refinance:		
Prisons/ENSCO	28,313,900	5,314,400
Revenue Building	10,899,300	2,045,700
DES Homes	1,393,000	261,500
Capital Center	8,118,900	1,523,900
Subtotal	48,725,100	9,145,500
2002A Issuance:		
Health Laboratory	28,430,000	2,317,800
2002B Issuance/Refinance:		
16th Ave. Parking	2,714,200	420,800
Courts Building	24,238,400	3,748,300
Historical Museum	8,919,500	1,379,700
ASDB Food Service	2,679,300	414,300
DES West	21,374,800	3,304,300
Tucson Building	15,368,800	2,376,300
Subtotal	75,295,000	11,643,700
2004A Issuance/Refinance:		
Records Management	1,341,400	184,600
Library for the Blind	557,700	103,000
ASDB Projects	8,877,500	1,238,100
1616 West Adams	3,295,800	625,900
Tonto Natural Bridge	2,652,700	367,300
Subtotal	16,725,100	2,518,900
2004B Issuance		
DOC Prison Expansions	31,965,000	3,193,800
Other:		
AHCCCS Buildings	1,843,600 ^{2/}	135,800
Industrial Commission	4,600,000	3,100,000
Subtotal- ADOA	207,583,800	32,055,500
School Facilities Board		
New School Construction	614,500,000 ^{3/}	72,945,200
ABOR Building System		
Arizona State University	179,003,000	15,581,000
Northern Arizona University	2,395,000	430,000
University of Arizona	760,054,000	57,812,000
Subtotal- ABOR	941,452,000 ^{4/}	73,823,000
Phoenix Civic Plaza Expansion	0 ^{5/}	0
TOTAL- Lease-Purchase	1,763,535,800	178,823,700
Bonding Summary		
	Balance ^{1/}	FY 2006 Pymt
School Facilities Board		
Deficiencies Correction:		
Proposition 301	698,390,000	64,526,100
QZABs-Proposition 301	3,810,000	1,278,900
State Land Trust - FY 2004	246,600,000	25,431,400
QZABs - State Land Trust	20,000,000	1,608,500
Subtotal - SFB	968,800,000	92,844,900
Department of Transportation	1,814,945,000 ^{6/}	260,601,000
ABOR Building System		
Arizona State University	401,651,000	28,763,000
Northern Arizona University	122,710,000	23,102,000
University of Arizona	232,420,000	23,777,000
Subtotal- ABOR	756,781,000	75,642,000
TOTAL- Bonding	3,540,526,000	429,087,900
TOTAL	5,304,061,800	607,911,600
^{1/} As of June 30, 2004, unless otherwise indicated.		
^{2/} Final payment in FY 2006		
^{3/} Includes \$372,730,000 issued in FY 2003 and 2 separate issuances of \$194,610,000 and \$47,160,000 in FY 2004. The board also has authority to issue \$250,000,000 in FY 2005.		
^{4/} Includes approximately \$375 million committed for capital research infrastructure projects authorized by Laws 2003, Chapter 269. General Fund appropriations of \$34.6 million for debt service begin in FY 2008.		
^{5/} \$300,000,000 authorized for Phoenix Civic Plaza Expansion. City of Phoenix issued the Certificates of Participation in FY 2005. First payment by state begins after project completed in 2009.		
^{6/} Includes \$1,017,360,000 for HURF bonds, \$289,000,000 for RARF bonds, \$308,585,000 for GANs, and \$200,000,000 for BFOs. See Tables 1 and 2 in ADOT operating budget.		

Privatized Lease-to-Own Facilities

Under a privatized lease-to-own agreement, a private entity finances and constructs a building and leases it to the state. At the end of the lease term, the state takes possession of the building.

ADOA has entered into privatized lease-to-own (PLTO) agreements with private entities for 3 office buildings on the Capitol Mall. The 3 buildings house ADOA, the Department of Environmental Quality and the Department of Health Services. The Department of Veterans' Services has also been authorized to enter into a privatized lease-to-own agreement for a southern Arizona veterans' home facility. Table 2 provides information on current lease-to-own agreements.

Table 2	Privatized Lease to Own		
	Summary		
	Original Issue	FY 2006 Payment	Lease Completion
DEQ	NA	\$5,038,800	FY 2027
ADOA	NA	2,950,900	FY 2027
DHS	NA	2,557,400	FY 2028
VSC	NA	NA	NA
Total	NA	\$10,547,100	NA

Capital Outlay

Arizona Department of Administration Building System

JLBC: Lorenzo Martinez

OSPB: David Reese

DESCRIPTION	FY 2006 JLBC
BUILDING RENEWAL	
Arizona Department of Administration	3,400,000
Arizona Exposition and State Fair Board	1,386,800
Game and Fish Department	388,900
Arizona Lottery Commission	47,600
SUBTOTAL	5,223,300
NEW PROJECTS	
Lottery Facility Improvements	76,900
Game and Fish Black Canyon Dam Modifications	500,000
Game and Fish Statewide Preventative Maintenance	30,000
Game and Fish Migratory Waterfowl Habitat	100,000
SUBTOTAL	706,900
TOTAL - ALL PROJECTS	5,930,200
FUND SOURCES	
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	3,400,000
Arizona Exposition and State Fair Fund	1,386,800
State Lottery Fund	124,500
Game and Fish Fund	418,900
Game and Fish Capital Improvement Fund	500,000
Waterfowl Conservation Fund	100,000
SUBTOTAL - Other Appropriated Funds	5,930,200
SUBTOTAL - Appropriated Funds	5,930,200
TOTAL - ALL SOURCES	5,930,200

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by all state agencies except the Arizona Board of Regents and Arizona Department of Transportation. 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. The following amounts for FY 2006 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.

JLBC Recommendations - The following amounts are one-time appropriations.

FY 2006

Building Renewal **OF \$5,223,300**

The JLBC recommends \$5,223,300 from Other Funds in FY 2006 for Building Renewal within the ADOA Building System. This amount includes \$3,400,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA to fund 15% of the building renewal formula, \$1,386,800 from the Arizona Exposition and State Fair (AESF) Fund to the AESF to fund 100% of the building renewal formula, \$388,900 from the Game and Fish Fund to the Game and Fish Department to fund 100% of the building renewal formula, and \$47,600 from the State Lottery Fund to the Arizona Lottery Commission to fund 100% of the building renewal formula.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The JLBC also recommends that up to \$275,000 and up to 5 FTE Positions be appropriated each year from building renewal monies to ADOA for supervision and management of building renewal projects.

Lottery Facility Improvements **OF 76,900**

The JLBC recommends \$76,900 from the State Lottery Fund in FY 2006 for replacement of building flooring, bathroom fixtures, and fire alarm system upgrades. This amount would be combined with building renewal funding to complete the projects.

Game and Fish Projects

The JLBC recommends \$630,000 from Other Funds in FY 2006 for Game and Fish Department projects. This amount includes \$500,000 from the Game and Fish Capital

Improvement Fund, \$30,000 from the Game and Fish Fund, and \$100,000 from the Waterfowl Conservation Fund. These amounts would fund the following projects:

Black Canyon Dam Modifications OF 500,000

The JLBC recommends \$500,000 from the Game and Fish Capital Improvement Fund in FY 2006 for Black Canyon Dam modifications. The Black Canyon Dam is owned and operated by the department for recreational uses. This dam has been classified as a high hazard dam due to the potential for property damage and loss of life in the event of a structural failure, and is one of two dams maintained by the department to have this classification. The other high hazard dam, Lynx Lake, recently received a major upgrade. The department proposes making modifications to the dam and spillway, improving capacity in order to accommodate a probable maximum flood event.

Statewide Preventative Maintenance OF 30,000

The JLBC recommends \$30,000 from the Game and Fish Fund in FY 2006 to continue funding for preventative maintenance. The preventative maintenance program was initiated in FY 2005 and was anticipated to receive ongoing annual funding. The program addresses unexpected facility maintenance expenses requiring immediate action, and is separate from building renewal projects.

Migratory Waterfowl Habitat OF 100,000

The JLBC recommends \$100,000 from the Waterfowl Conservation Fund in FY 2006 as matching grants for the acquisition of waterfowl habitat. The Waterfowl Conservation Fund receives revenues from the sale of annual duck stamps.

JLBC RECOMMENDED FORMAT — Lump Sum by Project by Fund

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Building Renewal

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2006 and shall 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. Twenty-five per cent or less of the monies may be spent for state building modifications to comply with the federal Americans with Disabilities Act (42 United States Code sections 12101 through 12213 and 47 United States Code sections 225 and 611) or for major maintenance and repair activities for state infrastructure. The monies may only be used for facilities on the state building inventory or for infrastructure that directly supports those facilities. Of the amounts appropriated to the Arizona Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 Full-Time Equivalent Positions may be allocated each fiscal year

until the Building Renewal projects are completed. All other monies appropriated in this section shall 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. Any monies appropriated for building renewal in FY 2006 that are unexpended or unencumbered on September 30, 2007 shall revert to the fund from which they were appropriated.

The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for Building Renewal, the appropriation to the Department of Administration shall be 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.

Individual Projects

The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request.

The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2005.

Unless otherwise specified, the monies appropriated in this act shall 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.

Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

State Archives and History Building

Laws 2004, Chapter 194 appropriated \$2,000,000 in FY 2005 to ADOA for design and site preparation for a new state archives and history building. The design phase will be completed in FY 2005. Estimated cost of the building ranges from \$20,000,000 to \$34,000,000. Funding for construction has not been appropriated.

Capital Outlay

Arizona Department of Transportation Building System

JLBC: Lorenzo Martinez/Bob Hull

OSPB: David Reese

DESCRIPTION	FY 2006
	JLBC
BUILDING RENEWAL	
ADOT Building Renewal	3,702,900
SUBTOTAL	3,702,900
NEW PROJECTS	
Payson Equipment shop	1,536,500
Sprinklers/Fire Alarms	1,265,000
De-Icer Buildings	1,089,000
Oil Storage Tanks	637,600
Payson MVD Service Center	915,900
Airport Planning and Development	16,956,000
Controlled Access Highways	92,001,000
Debt Service	69,006,000
Statewide Highway Construction	242,417,000
SUBTOTAL	425,824,000
TOTAL - ALL PROJECTS	429,526,900
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	17,031,800
State Highway Fund	412,495,100
SUBTOTAL - Other Appropriated Funds	429,526,900
SUBTOTAL - Appropriated Funds	429,526,900
TOTAL - ALL SOURCES	429,526,900

DESCRIPTION — The Arizona Department of Transportation Building System (ADOT) includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

JLBC Recommendations - The following amounts are one-time appropriations.

FY 2006

Building Renewal **OF \$3,702,900**
 The JLBC recommends \$3,702,900 for Building Renewal within the ADOT Building System in FY 2006. This amount consists of \$3,627,100 from the State Highway Fund and \$75,800 from the State Aviation Fund. Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The State Highway Fund amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport. The recommended amounts represent 100% funding of the building renewal formula. Building renewal appropriations are used for major repair and maintenance of state-owned buildings.

Payson Equipment Shop **OF 1,536,500**
 The JLBC recommends \$1,536,500 from the State Highway Fund in FY 2006 to ADOT to build a new equipment services

shop and demolish and remove the existing building. The current building is an early 1960's wooden garage with 2,635 square feet and 3 small (12' x 25') work stalls, which would be replaced with a metal building with 9,600 square feet and 3 work stalls for large trucks at a construction cost of \$138 per square foot. The new building will improve working conditions and meet safety codes. Furnishings include telecommunications and a security and fire alarm systems.

Sprinklers/Fire Alarms **OF 1,265,000**
 The JLBC recommends \$1,265,000 from the State Highway Fund in FY 2006 to ADOT for automatic sprinkler and fire alarm systems in existing ADOT equipment services buildings at 21 sites statewide. The Sprinklers/Fire Alarms would be installed, integrated and remotely monitored, to meet safety requirements.

De-Icer Buildings **OF 1,089,000**
 The JLBC recommends \$1,089,000 from the State Highway Fund in FY 2006 to ADOT to construct 4 new buildings to

house de-icer chemicals, bulk sand, and cinders used during winter months to de-ice highways. They would be located at Winslow, Kingman, Springerville and Show Low and would replace existing deteriorated facilities and outside storage, and would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water. Each de-icer building would cost an estimated \$272,250. ADOT plans to replace de-icer buildings in at least 8 additional locations in future years.

Oil Storage Tanks OF 637,600

The JLBC recommends \$637,600 from the State Highway Fund in FY 2006 to ADOT to install replacement 10,000 gallon oil storage tanks and concrete containment basins at 4 locations (Globe, Superior, Show Low, and Springerville). The new tanks would replace existing deteriorated tanks, and would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water. Each oil storage tank, containment basin, and disposal of the existing tanks would cost an estimated \$159,400. ADOT plans to replace additional oil storage tanks in future years.

Payson MVD Service Center OF 915,900

The JLBC recommends \$915,900 from the State Highway Fund in FY 2006 to ADOT to construct a new Payson MVD Service Center at a construction cost of \$172 per square foot, including a 4,850 square foot office and a 475 square foot vehicle inspection facility. The current leased facility in a strip mall has 1,900 square feet. The Payson facility had 213 customers per square foot of lobby in FY 2004 compared to figures ranging from 31 to 105 customers per square foot of lobby at selected MVD offices as shown in the following table.

MVD Office Data at Selected Offices in FY 2004		
MVD Office	Building SF	Customers/Lobby SF
Payson	1,900	213
Tucson North	8,700	105
Surprise	6,200	104
NW Phoenix	10,300	101
Glendale	14,500	87
Prescott	12,700	58
Tucson	27,900	48
Regional		
Scottsdale	14,500	46
Tempe	10,200	46
Tucson East	13,400	31

The new facility will increase the customer service capacity of the office to accommodate population growth in the area and meet safety codes. Furnishings include furniture, telecommunications, a customer scheduling system, and a security system. ADOT already owns the land where the facility would be constructed.

Airport Planning and Development OF 16,956,000

The JLBC recommends \$16,956,000 from the State Aviation Fund for the department's airport construction program in FY 2006. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

Controlled Access Highways OF 92,001,000

The JLBC recommends \$92,001,000 from the State Highway Fund for the Highway User Revenue Fund formula dedicated to the construction of urban freeways in FY 2006. The Maricopa Association of Governments (MAG) receives 75% and the Pima County Association of Governments (PAG) receives 25%.

Debt Service OF 69,006,000

The JLBC recommends \$69,006,000 from the State Highway Fund for the appropriated portion of the debt service on bonds in FY 2006. ADOT has approximately \$1.8 billion in outstanding bonds and other long-term debt. The recommended amount represents the appropriated component of debt service. See *Table 1* for more information on debt service.

Statewide Highway Construction OF 242,417,000

The JLBC recommends \$242,417,000 from the State Highway Fund for highway construction in FY 2006. The expenditure of these monies is determined by the Transportation Board, which develops a 5-year plan.

JLBC RECOMMENDED FORMAT — Lump Sum by Project by Fund

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Building Renewal

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2006 and shall 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. Twenty-five percent or less of the monies may be spent for state building modifications to comply with the federal Americans with Disabilities Act (42 United States Code sections 12101 through 12213 and 47 United States Code sections 225 and 611) or for major maintenance and repair activities for state infrastructure. The monies may only be used for facilities on the state building inventory or for infrastructure that directly supports those facilities. All other monies appropriated in this section shall 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. Any monies appropriated for building renewal in FY 2006 that are unexpended or unencumbered on September 30, 2007 shall revert to the fund from which they were appropriated.

Individual Projects

The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of 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, the acquisition of rights-of-way, 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 in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the state Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.

Unless otherwise specified, the monies appropriated in this act shall 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.

Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance.

Before the expenditure of any monies for Professional and Outside Services, including contracted field administration and field engineering, the Department of Transportation shall submit information on Professional and Outside Services funded from the capital budget to the Joint Committee on Capital Review by July 1, 2005 for review. The submitted information shall contain at least as much detail for Professional and Outside Services as the department's annual operating budget.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 18, 2004 includes monies from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, Highway User Revenue Fund for controlled access roads, and bond revenues. The highway construction program totals \$1,213,232,000 for FY 2006, including \$952,631,000 for construction and maintenance projects scheduled to begin in FY 2006, and \$260,601,000 for debt service. For details please see *Table 1*:

Table 1

Highway Construction Program Adopted By State Transportation Board and Estimated Debt Service Payments

	FY 2006
Construction	\$520,825,000
Urban Controlled Access ^{1/}	210,465,000
Pavement Preservation Maintenance	87,952,000
Other ^{2/}	133,389,000
Debt Service ^{3/}	260,601,000
Total	\$1,213,232,000

^{1/} Includes expenditures from the Highway User Revenue Fund for controlled access and from the Maricopa Regional Area Road Fund.

^{2/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

^{3/} Information provided by the department. Includes \$69,006,000 in FY 2006 for State Highway Fund statewide construction bonds; \$50,187,000 for Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds; \$81,942,000 for Maricopa Regional Area Road Fund Bonds; and \$59,466,000 for Grant Anticipation Notes.

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. *Table 2* summarizes the estimated revenues and expenditures for FY 2006, on a cash flow basis as provided by the department. The previous table, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2006.

Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of Debt Service is appropriated.

These estimates have not been adjusted for the passage of Proposition 400, which extended the ½ cent Maricopa sales tax for roads.

Table 2**Estimated Highway Construction - Cash Basis**

	FY 2006
Balance Forward ^{1/}	\$337,102,000
Revenues	
Appropriated Statewide Highway Construction ^{2/}	\$55,967,000
Appropriated Controlled Access Highways (MAG&PAG)	92,001,000
½ Cent Sales Tax	274,036,000
Federal Aid	425,260,000
Miscellaneous Income/Expenses ^{3/}	62,632,000
HURF Bond Proceeds ^{4/}	55,000,000
Grant Anticipation Note Proceeds (GANS) ^{4/}	70,000,000
Highway Expansion & Extension Loan ^{5/}	48,397,000
Subtotal - Revenues	\$1,083,293,000
Total Funds Available for Construction	\$1,420,395,000
Debt Service Expenditures	
Appropriated Debt Service	\$69,006,000
Other Debt Service (All Other)	191,595,000
Subtotal - Debt Service	\$260,601,000
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$653,000,000
Controlled Access Highways (MAG)	262,561,000
Subtotal - Construction Expenditures	\$915,561,000
Total Planned Expenditures	\$1,176,162,000
Balance Forward	\$244,233,000

^{1/} Includes unexpended bond proceeds for bonds issued in prior years.

^{2/} The budget includes a total of \$242,417,000 for this item, including a discretionary State Highway Fund beginning balance of \$140,000,000 and construction operating budget reimbursements of \$46,450,000. These 2 items are included in other lines of this table.

^{3/} Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

^{4/} Proceeds reflect a cash expenditure basis.

^{5/} Includes revenue of \$60,353,000 for new HELP loans and expenditures of \$11,956,000 for ADOT debt service on HELP loans.

Highway User Revenue Fund Analysis

The Highway User Revenue Fund (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, vehicle registration, driver's license, and others. HURF is the primary source of monies for the department's operating budget. The last line of *Table 3*, which shows Net State Highway Fund Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. The last line represents the amount that is available from the discretionary State Highway Fund to fund the State Transportation Board's 5-Year Plan.

Table 3

Highway User Revenue Fund (HURF) Distribution

		\$ in Thousands		
		FY 2004 Actual	FY 2005 Estimate	FY 2006 JLBC Rec
Total HURF Collections		1,179,561	1,228,900	1,256,000
Less:	Economic Strength Fund ^{1/}	1,000	1,000	1,000
	ADOT - MVD Operating Budget	383	419	383
	Dept of Public Safety Transfer from HURF	48,698	52,216	56,067
Net HURF Collections		1,129,480	1,175,265	1,198,550
Less:	Cities ^{2/}	344,491	358,456	365,558
	Counties ^{2/}	214,601	223,300	227,725
	Controlled Access ^{3/}	86,699	72,277	92,001
	Vehicle License Tax Transfer to General Fund ^{4/}	0	118,000	0
Net State Highway Fund (Discretionary)		483,689	403,232	513,266
Plus:	State Highway Fund Beginning Balance	136,000	155,000	140,000
	Construction Operating Budget Reimbursements ^{5/}	46,481	46,790	46,450
	Other Income ^{6/}	14,225	14,400	14,800
Less:	Operating Budget	326,616	348,262	349,399
	Operating Carryovers, Adjustments and Transfer ^{7/}	5,214	2,671	5
	Capital Outlay and Building Renewal	646	3,215	9,071
	Capital Non-Lapsing Carryovers	1,767	3,634	0
	Motor Vehicle Third Party Payments ^{8/}	9,667	10,901	11,214
	Dept of Public Safety Transfer from Highway Fund	30,151	32,680	33,404
	Debt Service ^{9/}	54,094	60,025	69,006
Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) ^{10/}		252,240	158,034	242,417

^{1/} Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission 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 statutorily defined distribution of State Highway Fund 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.

^{4/} Laws 2004, Chapter 282 transfers the first \$118,000,000 of vehicle license tax received in FY 2005 for distribution to the State Highway Fund to the General Fund.

^{5/} Construction operating budget monies reimbursed from federal funds, Maricopa Regional Area Road Fund and bond monies.

^{6/} Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income.

^{7/} Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

^{8/} Statutory payments to third parties from vehicle license taxes collected by third parties.

^{9/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{10/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.676%
State Highway Fund ^{1/}	42.824%
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to the State Highway Fund, with 12.6% of the monies distributed to the State Highway Fund 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 State Highway Fund monies set aside for controlled access highways (50.5% of 15.2% = 7.676%). 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.