

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
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HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
CHAIRMAN 2008
TOM BOONE
TRISH L. GROE
JOHN KAVANAGH
PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

- CANCELLED -

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, February 27, 2007

8:00 a.m.

and

Thursday, March 1, 2007 (if necessary)

8:00 a.m.

Senate Appropriations Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of January 23, 2007.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [JOINT COMMITTEE ON CAPITAL REVIEW – Consider Adoption of Capital Outlay Budget.](#)
- 2. [ARIZONA GAME AND FISH DEPARTMENT – Review of FY 2007 Building Renewal Allocation Plan.](#)

The Chairman reserves the right to set the order of the agenda.

2/26/07

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limited to \$1.2 million should that occur. Rent revenues would be used to make the debt payments and operational costs. The agreement includes a 30-year land lease and it is estimated that the financing would be repaid over 23 years. After the payoff, the land and facilities would become ASU property.

Chairman Burns asked if ASU had any liability relative to the safety of students.

Mr. Martinez replied that the agreements are between the students living at the facility and the developer. ASU has structured the agreement so they do not have any liability relative to any incidents that might occur. ASU has stated that if something should occur, there is no guarantee that they would not be brought into potential legal actions. The intent with the structure is there would be no liability.

Chairman Burns asked, in the event of a liability, if it would fall under the state's self-insurance pool.

Mr. Martinez said that ASU does participate in the state's self-insured pool. Agencies are charged an insurance premium which is deposited in the Risk Management Fund. The fund is used to pay any state liabilities.

Chairman Burns said that this question probably cannot be answered until there is a lawsuit. There is a possible liability to the state, since there is a financial and occupancy guarantee. He asked what types of options will be available if ASU becomes dissatisfied with the developer's operation.

Mr. Richard Stanley, Senior Vice President and University Planner, ASU, replied that there is an option of stopping the endorsement of Capstone as a student housing provider if ASU finds that they do not live up to the performance standards defined in the contract.

Chairman Burns asked what happens if Capstone were to go out of business.

Mr. Stanley replied that there will be a not-for-profit entity established which will issue the debt associated with the project. When the project has been completed and is operating, Capstone will be the hired operator and manager of the facility for that not-for-profit entity. If Capstone were to go out of business at that time, the not-for-profit would look for and hire another manager for the property.

Chairman Burns said this project is outside of the university debt limit established in statute. He asked what the debt limit would be if this project were included in the debt limit.

Mr. Stanley replied that JLBC Staff made a calculation of the debt limit and calculated an increased debt ratio of 5.4% to 6%. The debt limit is 8%.

Representative Pearce said there are other third party financing arrangements. He asked what the overall debt ratio would be if all the third party or other financing were included.

Mr. Stanley replied that he does not have the calculation, however, he could provide the information once it is available.

Chairman Burns requested that the Committee give an unfavorable review with the understanding that the project would not stop. He explained that the project establishes a new campus which is typically established by the full Legislature. The project has few people involved in the transaction and can become an opportunity for mischief, so this project should have broader involvement.

Representative Trish Groe referred to one of the highlights of the agreement that Capstone may raise the rent above the maximum rental price for student accommodations. She asked, since the occupancy rate is built into the contract, if the state would have to absorb the vacancies that were unfilled if Capstone were to raise the rates to an uncompetitive rate.

Mr. Stanley replied that the contract will state that the project has to open at no more than the maximum rate. If it cannot open at the maximum rate, then the university's commitment to occupancy levels in the first 4 years would not be valid. The increase in rates will be limited to no more than 4% per year. If it increases by more than 4%, the university's commitment to the project will not be required to be maintained. This is an attempt to keep the rent affordable. The management of the project will have incentives to keep the rates competitive because there is more gained by occupancy than by percentage points in the rental rate. The structure will allow the university to open and maintain a project that is affordable for the students.

Representative Groe noted that the rate can increase to 4% or higher based on the rates of Tempe housing. She asked if there is an area in the contract that prohibits Capstone from charging non-competitive rates in later years if additional housing is needed.

Mr. Stanley replied that the university will enter into additional contracts with Capstone for further phases beyond the first two phases at the time that the housing is necessary. The contracts will be negotiated at that time. The only guarantee is that Capstone would have the first right of negotiation in future housing developments. If there are no satisfactory arrangements reached for phase 3 or 4 as they become necessary on the Downtown Campus, the university would not proceed. There would be no fixed terms in place for the future contracts. The level of affordability would be determined by the circumstances in the market at the time of negotiating the next phase.

Representative Groe asked if the contract language is available to read, since JLBC Staff stated that Capstone is the sole provider for future housing. She would like to make sure that the correct language is in the contract because it seems like there is no flexibility.

Mr. Stanley read an excerpt from the Arizona Board of Regents (ABOR) Executive Summary saying, "...Approval is not being sought for any subsequent phases and ASU will review later phases with ABOR before proceeding." He noted that this is the intent to outline that the contractual terms were not being set.

Representative John Kavanagh asked how the fees of the shared room at \$695 per month compare to the Tempe campus.

Mr. Stanley replied that when the project opens in 2008 it would effectively be at the same rates as Tempe housing. The rate assumes modest levels of inflation on the existing rates at the Tempe campus and the all-inclusiveness of the rate that Capstone will charge. Included in the \$695 rate is telephone, internet, cable and other services charged separately.

Representative Kavanagh asked if the students at the Downtown Campus will only take courses in their major then travel to Tempe for general studies courses, or if this is a self-contained campus where there will be no reason to opt for the Tempe campus housing.

Mr. Stanley said that the programs offered at the Downtown Campus will be self-contained programs. Some of the programs such as Nursing and Journalism are self-contained. The general courses that are required in those programs are being offered by the University College at the Downtown Campus. There may be some students who will choose to take courses outside of the traditional structure of their curriculum and will travel to other campuses, however, the student who is following the general curriculum in those programs will be able to take all of their courses at that campus.

Representative David Schapira said that the Downtown Campus is a work in progress and this project is to provide residences for the students attending the Downtown Campus. He asked how vital the project is to the continuing progress of the campus.

Mr. Stanley said that the university believes that housing, particularly for freshmen and sophomores, is critical on all campuses to increase the rates of retention and graduation. Data shows that students who live in

university housing are more successful in staying beyond their freshman year. Housing is pushed on all of the campuses.

Senator Karen Johnson asked if there was a request for proposal (RFP) on this project.

Mr. Stanley replied that there was a request for qualifications (RFQ) process that selected the team on this project. There was a competitor process that announced the universities intent to build downtown housing and asked for qualified firms or groups of firms to respond and propose how they would develop the campus. The university asked for proposal to include the nature of the housing, the nature of their experience, and their ability to bring property where housing could be built. There were 3 groups that responded. Capstone was a member of one of the groups that the university felt had the best combination of experience, property, and a team with the ability to move the project.

Senator Johnson said she had concerns relative to a November 2006 Tempe housing project that had a square foot price of \$217 and a cost per bed of \$64,800. This project has a cost of \$294 per square foot and a cost per bed of \$85,000. This is an increase in cost that seems excessive.

Mr. Stanley replied that the comparable price shown for the Tempe housing involved land that was on a lease with the university as opposed to land that was purchased by the developer. In this case, half of the land was purchased by the developer at market rates. This is included in the cost whereas it was not included in the Tempe project. The other major factor is because this is downtown housing on limited land, this is considered to be high-rise construction with the buildings being 13-15 stories high. The construction in Tempe is 6-story construction. There is a premium involved in high-rise construction because of different building codes and safety issues.

Senator Amanda Aguirre asked what the requirement for liability insurance coverage is in the sublease.

Mr. Stanley said that full insurance coverage and protection will be required to be documented.

Senator Thayer Verschoor asked for clarification on the outcome of a favorable or unfavorable review.

Chairman Burns said that the unfavorable review does not stop the project. The unfavorable review is an opportunity for the Committee to express concern about the project.

There was continued discussion on the differences between a favorable and unfavorable review.

Senator Verschoor asked if the state is responsible for the remaining vacancies if 99% occupancy is not reached.

Mr. Stanley replied that yes, for the first 4 years at the limits stated in the meeting material.

Senator Verschoor asked what the maximum cost to the state would be if there was 0% occupancy.

Mr. Stanley replied that the commitment lasts for 4 years and is limited to the last 15% of the occupancy, up to 99%. It drops to 10% in the first year, then 5% in the subsequent years. If all of the guarantees needed to be applied over the entire 4-year period, the total would be \$3.2 million which would be the responsibility of the university's auxiliary budget.

Senator Verschoor asked if the total would be funded with non-appropriated money.

Mr. Stanley said that it would be covered through the auxiliary budget which is a fund that is used for all non-educational support services. The Legislature would not have to appropriate funds.

Senator Verschoor asked if the auxiliary fund supplants other funds that the Legislature would need to appropriate money to if the \$3.2 million were to be used.

Mr. Stanley said that no, the funds are run separately.

Senator Johnson said that past projects were brought before the Legislature for approval. She asked why this project was not done in the same manner.

Mr. Stavneak replied that the past projects used state dollars to purchase the land or build buildings. This project incorporates the City of Phoenix bond election. The bonds created the capacity to purchase the land or build the buildings. There is not something that specifically says that they have to come to the Legislature to build a campus. In this circumstance, where the financing source is the City of Phoenix, it did not require ASU to come before the Legislature to authorize the campus. There is a provision in statute passed a year ago that says if indirect debt financing is used, which this project is using, it is required that ASU come before the Committee for review. Before the passing of this statute, it would not have been required to come to the Committee for review because of the type of financing arrangement.

Senator Johnson said that this type of project should come under the purview of the Legislature.

Representative Pearce moved that the Committee give an unfavorable review as outlined in the comments by the Chairman.

Chairman Burns requested a roll call vote on the motion.

The motion carried by a roll call vote of 7-5-0-2 (*Attachment 1*).

ARIZONA STATE UNIVERSITY

B. Review of FY 2007 Building Renewal Allocation Plan.

Mr. Martinez stated that Item 2B is a review of the ASU Building Renewal allocation plan for FY 2007. In FY 2007, ABOR was appropriated \$20 million for building renewal. Of that amount, ASU has received \$6.5 million. ASU has submitted for review the 10 projects listed on page 2 of the JLBC recommendation memo. The projects listed are university-wide related to building renewal projects such as roof replacements and infrastructure repair.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review of the FY 2007 Building Renewal Allocation Plan with the provision that ASU report on any reallocation above \$500,000 between the individual projects. The motion carried.

ARIZONA STATE UNIVERSITY

C. Review of Academic Renovations and Deferred Maintenance Phase IIB Bond Projects and Revised Scope and Cost for Instructional/Research Laboratory Renovations Phase II.

Mr. Martinez said this item has 2 components with the first being a review of a \$10 million bond issuance for academic renovations and deferred maintenance. The second is a review of revisions to bond projects that were previously reviewed. Page 2 of the JLBC recommendation memo has the first bond issuance of \$10 million. ASU has identified 3 projects which total under \$6 million. JLBC Staff recommends that the university provide an expenditure plan for the remaining \$4 million. Page 3 shows the revisions of the previously

reviewed \$20 million bond issuance where the dollar amounts have been revised and projects have been added or removed from the expenditure plan.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review of the Academic Renovations and Deferred Maintenance Phase IIB and the Scope and Cost Revisions for Instructional/Research Laboratory Renovations Phase II bond projects with the provision that ASU submit to the Committee an expenditure plan for the \$4,030,000 unallocated to specific projects in Academic Renovations and Deferred Maintenance Phase IIB and the following standard university financing provisions:

- *ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project.*
- *ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. The JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.*
- *ASU shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.*

The motion carried.

MARICOPA COMMUNITY COLLEGE DISTRICT – Review of General Obligation Bond Issuance.

Ms. Amy Strauss, JLBC Staff, presented the review of the Maricopa Community College Districts (MCCD) proposed \$240 million General Obligation (GO) Bond Issuance. In November 2004, voters approved a total bonding authority package of \$951 million that would be paid for by an increase in property taxes. At its June 2004 meeting, the Committee gave a favorable review to the entire bond proposal with the stipulation that the district return for Committee review prior to each issuance. This request by MCCD will reflect the second issuance. All issuances will fund capital projects as well as district-wide initiatives.

Attachment 1 in the agenda book provides a summary of the projects the district anticipates covering under the issuance. Attachment 3 in the agenda book provides a complete list of projects funded from the first issuance. Due to inflation, project costs were revised upward from original projections which resulted in district-wide reductions of project scopes as well as delays on lower priority projects. Approximately 1.4 million square feet are associated with these projects. This includes 338,000 square feet in remodeled projects and 1 million in new square feet. The estimated average cost per square foot is \$300, including \$346 for new space and \$160 for renovated space. The detail for these projects is provided in the district's project description and construction method worksheet on Attachment 2 in the agenda book.

Senator Johnson asked what entity reviews the projects.

Ms. Strauss replied that both the MCCD business office and the governing board review the projects covered under each bond issuance.

Senator Johnson expressed her concern with the problems that the Maricopa Community College District is having and that the oversight is not there. The issuance of the \$240 million with a debt service of \$72 million is difficult to approve.

Chairman Burns replied that the voters approve the bonding and the Committee approves the use of the bonds.

Representative Pearce moved that the Committee give a favorable review with the provision that MCCD report to the Committee on actual project costs of the second bond issuance when the district returns for review of its third issuance. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY – Review of Prescott Property Conveyance.

Mr. Eric Jorgenson, JLBC Staff, presented the review of the Department of Economic Security (DES) request for a property conveyance with the City of Prescott. The property is located in Prescott and is adjacent to the Prescott College. The conveyance would occur by sale of the land to the City of Prescott for the appraised value of \$530,000. The property, through an economic development agreement, would be used to expand the Prescott College campus.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation of a favorable review to the property conveyance with the City of Prescott with the provision that prior to expenditure, DES report on the use of the proceeds of the sale. The motion carried.

Without objection the Committee meeting adjourned at 8:50 a.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Senator Robert Burns, Chairman

JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: January 23, 2007

ITEM # 2A - unfavorable review

ITEM # _____

	<u>PRESENT</u>	<u>ABSENT</u>	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ABOUD	<u>X</u>	_____	<u>X</u>		<u>X</u>	<u>X</u>	
SEN. AGUIRRE	<u>X</u>	_____			<u>X</u>	<u>X</u>	
SEN. ARZBERGER	<u>X</u>	_____		<u>X</u>		<u>X</u>	
REP. BOONE	_____	<u>X</u>					<u>X</u>
REP. GROE	<u>X</u>	_____		<u>X</u>		<u>X</u>	
SEN. JOHNSON	<u>X</u>	_____		<u>X</u>		<u>X</u>	
REP. KAVANAGH	<u>X</u>	_____		<u>X</u>		<u>X</u>	
REP. LOPES	_____	<u>X</u>					<u>X</u>
REP. LUJAN	<u>X</u>	_____			<u>X</u>	<u>X</u>	
REP. SCHAPIRA	<u>X</u>	_____			<u>X</u>	<u>X</u>	
SEN. VERSCHOOR	<u>X</u>	_____		<u>X</u>		<u>X</u>	
SEN. WARING	<u>X</u>	_____			<u>X</u>	<u>X</u>	
REP. PEARCE	<u>X</u>	_____		<u>X</u>		<u>X</u>	
SEN. BURNS	<u>X</u>	_____		<u>X</u>		<u>X</u>	
TOTALS	<u>12</u>	<u>2</u>	_____	<u>7</u>	<u>5</u>	<u>12</u>	<u>2</u>

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ABOUD					
SEN. AGUIRRE					
SEN. ARZBERGER					
REP. BOONE					
REP. GROE					
SEN. JOHNSON					
REP. KAVANAGH					
REP. LOPES					
REP. LUJAN					
REP. SCHAPIRA					
SEN. VERSCHOOR					
SEN. WARING					
REP. PEARCE					
SEN. BURNS					
TOTALS	_____	_____	_____	_____	_____

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DATE: February 21, 2007
TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review
THRU: Richard Stavneak, Director
FROM: Lorenzo Martinez, Assistant Director
SUBJECT: FY 2008 Capital Outlay Budgets

The attached materials provide background on the FY 2008 Capital Outlay Budget. The materials are from both the FY 2008 Budget JLBC Book II and the FY 2008 JLBC Book I. The page numbers are from the original documents.

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RS/LM:ym

CAPITAL OUTLAY BUDGET
JLBC Book II – Comparisons with Executive Budget

CAPITAL OUTLAY - SUMMARY

	JLBC BASELINE	EXECUTIVE
Total Appropriations (Pg. 561)	<u>FY 2008</u> <ul style="list-style-type: none"> • \$41.2 M GF • \$373.5 M OF 	<u>FY 2008</u> <ul style="list-style-type: none"> • \$38.8 M GF • \$294.1 M OF
Building Renewal (Pg. 561, 565, 569, 575)	<ul style="list-style-type: none"> • \$32.2 M total for building renewal -- \$9.4 M OF for the ADOA Building System -- \$4.0 M OF for the ADOT Building System -- \$18.8 M GF for the ABOR Building System 	<ul style="list-style-type: none"> • \$25.8 M total for building renewal -- \$14.3 M GF and \$7.6 M OF for the ADOA Building System -- \$3.9 M OF for the ADOT Building System -- Does not include
New Projects (Pg. 562, 563, 565-567, 569-571)	<ul style="list-style-type: none"> • \$382.5 M total for new capital projects -- \$22.4 M GF and \$2.4 M OF for the ADOA Building System -- \$357.7 M OF for the ADOT Building System 	<ul style="list-style-type: none"> • \$307.1 M total for new capital projects -- \$24.5 M GF and \$2.1 M OF for the ADOA Building System -- \$280.5 M OF for the ADOT Building System

Capital Outlay Summary

	FY 2008 Executive		FY 2008 JLBC Baseline	
	General Fund	Other Funds	General Fund	Other Funds
BUILDING RENEWAL				
Arizona Department of Administration Building System	14,310,600	7,601,000	0	9,423,100
Arizona Department of Transportation Building System	0	3,918,200	0	4,018,300
Arizona Board of Regents Building System	0	0	18,820,400	0
SUBTOTAL	14,310,600	11,519,200	18,820,400	13,441,400
INDIVIDUAL PROJECTS				
Arizona Department of Administration Building System	24,485,000	2,108,000	22,414,000	2,347,000
Arizona Department of Transportation Building System	0	280,482,600	0	357,690,800
SUBTOTAL	24,485,000	282,590,600	22,414,000	360,037,800
TOTALS				
Arizona Department of Administration Building System	38,795,600	9,709,000	22,414,000	11,770,100
Arizona Department of Transportation Building System	0	3,918,200	0	4,018,300
Arizona Board of Regents Building System	0	280,482,600	18,820,400	357,690,800
TOTAL - ALL PROJECTS	38,795,600	294,109,800	41,234,400	373,479,200
FUND SOURCES				
General Fund	38,795,600		41,234,400	
Other Appropriated Funds				
State Aviation Fund		33,786,100		25,777,100
Capital Outlay Stabilization Fund		5,435,000		7,257,100
Arizona Exposition and State Fair Fund		1,631,800		1,631,800
Game and Fish Fund		711,200		711,200
Game and Fish Capital Improvement Fund		1,596,000		1,595,000
State Highway Fund		250,614,700		327,038,700
Highway User Revenue Fund		0		8,893,300
State Lottery Fund		60,000		60,000
Watercraft Licensing Fund		275,000		515,000
SUBTOTAL - Other Appropriated Funds	38,795,600	294,109,800	41,234,400	373,479,200
SUBTOTAL - Appropriated Funds	38,795,600	294,109,800	41,234,400	373,479,200
TOTAL - ALL SOURCES	38,795,600	294,109,800	41,234,400	373,479,200

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM - CAPITAL OUTLAY

	JLBC BASELINE	EXECUTIVE
Total Appropriations (Pg. 564)	FY 2008 <ul style="list-style-type: none"> • \$22.4 M GF • \$11.8 M OF 	FY 2008 <ul style="list-style-type: none"> • \$29.3 M GF • \$9.7 M OF
Building Renewal (Pg. 565)	<ul style="list-style-type: none"> • \$7.3 M and 5 FTE Positions from the Capital Outlay Stabilization Fund to fund 26% of the ADOA Building System building renewal formula -- COSF amount assumes rental rate for state-owned space will increase from \$15.50 to \$19.50 per square foot • \$1.6 M from the Arizona Exposition and State Fair Board to fund 100% of the building renewal formula • \$474,200 from the Game and Fish Fund to fund 100% of the building renewal formula • \$60,000 from the State Lottery Fund to the Arizona Lottery Commission to fund 100% of the building renewal formula 	<ul style="list-style-type: none"> • \$14.3 M GF and \$5.4 M from the Capital Outlay Stabilization Fund to fund 72% of the ADOA Building System building renewal formula -- COSF amount assumes rental rate for state-owned space will increase from \$15.50 to \$19.50 per square foot • \$1.6 M from the Arizona Exposition and State Fair Board to fund 100% of the building renewal formula • \$474,200 from the Game and Fish Fund to fund 100% of the building renewal formula • \$60,000 from the State Lottery Fund to the Arizona Lottery Commission to fund 100% of the building renewal formula
ADOA - Tucson Office Renovations	<ul style="list-style-type: none"> • Does not include 	<ul style="list-style-type: none"> • \$1.5 M GF for mold abatement and repairs at the Tucson Office Complex
ADOA - Health Laboratory Renovation (Pg. 565)	<ul style="list-style-type: none"> • \$4.4 M GF for the renovation of the former state health laboratory • Renovation would allow for the sale of the current Department of Agriculture lab, which would be relocated into the former health lab space 	<ul style="list-style-type: none"> • Included in the Capitol Mall lease-purchase project (<i>described below</i>)
Lease-Purchase Projects	<ul style="list-style-type: none"> • Does not include 	<ul style="list-style-type: none"> • \$7.4 M GF for annual debt service payment for 3 projects totaling \$79 M. Repaid over 15 years. Includes: <ul style="list-style-type: none"> -- \$3.7 M GF debt service for Capitol Mall renovations, including former health lab renovations. Project cost is \$40.0 M. -- \$3.0 M GF debt service to replace Arizona State Hospital Forensic Unit. Project cost is \$32.2 M.

	JLBC BASELINE	EXECUTIVE
		-- \$637,000 GF debt service for water storage, and water and sewage treatment plants at the Tucson, Lewis, Winslow/Apache, and Douglas prison complexes. Project cost is \$6.8 M.
ADOA - Prison Cell Door and Lock Replacement (Pg. 565)	<ul style="list-style-type: none"> • \$8.5 M GF for continued replacement of cell doors and locks throughout the prison system • ADOA was appropriated \$5.2 M in FY 07 to design and begin the estimated \$42.2 M project 	<ul style="list-style-type: none"> • \$5.2 M GF for continued replacement of cell doors and locks throughout the prison system
ADOA - DJC Renovations	<ul style="list-style-type: none"> • Does not include 	<ul style="list-style-type: none"> • \$885,000 GF to replace air-cooling and electrical systems at the Department of Juvenile Corrections Black Canyon housing unit
State Library and Archives Building (Pg. 565)	<ul style="list-style-type: none"> • \$8 M GF to complete construction of new state archives and history building (already appropriated) 	<ul style="list-style-type: none"> • \$8 M GF to complete construction of new state archives and history building (already appropriated)
DPS Microwave Communications System (Pg. 565)	<ul style="list-style-type: none"> • \$1.5 M GF for the upgrade of the microwave communications system (already appropriated) • Additional \$1 M OF from Game & Fish and ADOT 	<ul style="list-style-type: none"> • \$1.5 M GF for the upgrade of the microwave communications system (already appropriated)
Game & Fish Projects	<ul style="list-style-type: none"> • \$2,347,000 from Game and Fish Funds for 11 capital projects: <ul style="list-style-type: none"> -- \$80,000 from the Watercraft Licensing Fund for the Ben Avery headquarters -- \$195,000 from the Watercraft Licensing Fund for 24 shade canopies at statewide regional offices -- \$240,000 from the Watercraft Licensing Fund for 15-20 boat registration kiosks -- \$150,000 from the Game and Fish Capital Improvement Fund for roadway improvements at 5 shooting ranges -- \$30,000 from the Game and Fish Fund to continue funding for preventative maintenance -- \$207,000 from the Game and Fish Fund for share of DPS Microwave Communications System upgrade (already appropriated) -- \$120,000 from the Game and Fish Capital Improvement Fund for an ADA accessible fishing pier at Becker Lake -- \$52,000 from the Game and Fish Capital Improvement Fund for a footbridge at Becker Lake 	<ul style="list-style-type: none"> • \$2,108,000 from Game and Fish Funds for 10 capital projects: <ul style="list-style-type: none"> -- \$80,000 from the Watercraft Licensing Fund for the Ben Avery headquarters -- \$195,000 from the Watercraft Licensing Fund for 24 shade canopies at statewide regional offices -- Does not include -- \$150,000 from the Game and Fish Capital Improvement Fund for roadway improvements at 5 shooting ranges -- \$30,000 from the Game and Fish Fund to continue funding for preventative maintenance -- \$207,000 from the Game and Fish Fund for share of DPS Microwave Communications System upgrade (already appropriated) -- \$120,000 from the Game and Fish Capital Improvement Fund for an ADA accessible fishing pier at Becker Lake -- Does not include

	JLBC BASELINE	EXECUTIVE
(Pg. 566, 567)	<ul style="list-style-type: none"> -- \$1,050,000 from the Game and Fish Capital Improvement Fund for expansion and renovation of the Flagstaff regional office -- \$48,000 from the Game and Fish Capital Improvement Fund to improve the water system at the Seven Mile Shooting Range -- \$175,000 from the Game and Fish Capital Improvement Fund to repair a flood levee at Robbins Butte Wildlife Area 	<ul style="list-style-type: none"> -- \$1,050,000 from the Game and Fish Capital Improvement Fund for expansion and renovation of the Flagstaff regional office -- \$48,000 from the Game and Fish Capital Improvement Fund to improve the water system at the Seven Mile Shooting Range -- \$228,000 from the Game and Fish Capital Improvement Fund, \$175,000 to repair a flood levee, and \$58,000 to replace a ditch at Robbins Butte

Capital Outlay

Arizona Department of Administration Building System

	FY 2008 Executive		FY 2008 JLBC Baseline	
	General Fund	Other Funds	General Fund	Other Funds
BUILDING RENEWAL				
Arizona Department of Administration	14,310,600	5,435,000	0	7,257,100
Arizona Exposition and State Fair Board	0	1,631,800	0	1,631,800
Game and Fish Department	0	474,200	0	474,200
Arizona Lottery Commission	0	60,000	0	60,000
SUBTOTAL	14,310,600	7,601,000	0	9,423,100
INDIVIDUAL PROJECTS				
ADOA - Tucson Office Complex Renovations	1,500,000	0	0	0
ADOA - Health Laboratory Renovation	0	0	4,414,000	0
ADOA - Capital Mall Centennial/Health Laboratory Renovation Lease-Purchase	3,746,800	0	0	0
ADOA - ASH Forensic Unit Lease-Purchase	3,016,200	0	0	0
ADOA - DOC Water Treatment Plants Lease-Purchase	637,000	0	0	0
ADOA - DOC Prison Cell Door and Lock Replacement	5,200,000	0	8,500,000	0
ADOA - DJC Black Canyon Renovations	885,000	0	0	0
Legislative Council - State Archives and History Building	8,000,000	0	8,000,000	0
DPS Microwave Communications System ^{1/}	1,500,000	0	1,500,000	0
Game and Fish Headquarters Construction	0	80,000	0	80,000
Game and Fish Boat Shade Canopies	0	195,000	0	195,000
Game and Fish Boat Registration Kiosks	0	0	0	240,000
Game and Fish Shooting Range Access	0	150,000	0	150,000
Game and Fish Preventative Maintenance	0	30,000	0	30,000
Game and Fish DPS Microwave Communications System	0	207,000	0	207,000
Game and Fish Becker Lake Facilities Improvements	0	120,000	0	120,000
Game and Fish Becker Lake Wildlife Area Bridge	0	0	0	52,000
Game and Fish Regional (Flagstaff) Office Remodel/Expansion	0	1,050,000	0	1,050,000
Game and Fish Seven Mile Shooting Range	0	48,000	0	48,000
Game and Fish Robbins Butte Levee	0	228,000	0	175,000
SUBTOTAL	24,485,000	2,108,000	22,414,000	2,347,000
TOTAL - ALL PROJECTS	38,795,600	9,709,000	22,414,000	11,770,100

^{1/} See the Department of Transportation and the Department of Game and Fish for Other Fund appropriations.

Capital Outlay

Arizona Department of Administration Building System

	FY 2008 Executive		FY 2008 JLBC Baseline	
	General Fund	Other Funds	General Fund	Other Funds
FUND SOURCES				
General Fund	38,795,600		22,414,000	
<u>Other Appropriated Funds</u>				
Capital Outlay Stabilization Fund		5,435,000		7,257,100
Arizona Exposition and State Fair Fund		1,631,800		1,631,800
Game and Fish Fund		711,200		711,200
Game and Fish Capital Improvement Fund		1,596,000		1,595,000
State Lottery Fund		60,000		60,000
Waterfowl Conservation Fund		275,000		515,000
SUBTOTAL - Other Appropriated Funds		9,709,000		11,770,100
SUBTOTAL - Appropriated Funds		48,504,600		34,184,100
TOTAL - ALL SOURCES		48,504,600		34,184,100

	JLBC BASELINE	EXECUTIVE
Highway Construction		
Statewide Highway Construction (Pg. 571)	<ul style="list-style-type: none"> • \$99.6 M Highway Fund for statewide highway construction 	<ul style="list-style-type: none"> • \$23.7 M Highway Fund for statewide highway construction
Controlled Access Highways (Pg. 570)	<ul style="list-style-type: none"> • \$111.8 M Highway Fund for urban freeways in Maricopa and Pima Counties 	<ul style="list-style-type: none"> • \$106.3 M Highway Fund for urban freeways in Maricopa and Pima Counties
Debt Service (Pg. 571)	<ul style="list-style-type: none"> • \$103.3 M Highway Fund for appropriated debt service on bonds 	<ul style="list-style-type: none"> • \$103.3 M Highway Fund for appropriated debt service on bonds
HURF Bond Financing	<ul style="list-style-type: none"> • Does not include 	<ul style="list-style-type: none"> • Generates \$500 M from HURF bonds by extending financing payoff period from 20 to 30 years
Aviation		
Grand Canyon Airport Restrooms (Pg. 570)	<ul style="list-style-type: none"> • \$330,000 Aviation Fund for restroom renovations 	<ul style="list-style-type: none"> • \$210,000 Aviation Fund for restroom renovations
Grand Canyon Airport Water Storage Tanks	<ul style="list-style-type: none"> • Does not include 	<ul style="list-style-type: none"> • \$635,000 Aviation Fund to refurbish 2 water storage tanks
Airport Planning and Development (Pg. 571)	<ul style="list-style-type: none"> • \$25.3 M Aviation Fund for airport construction program 	<ul style="list-style-type: none"> • \$32.8 M Aviation Fund for airport construction program

Capital Outlay

Arizona Department of Transportation Building System

	FY 2008 Executive		FY 2008 JLBC Baseline	
	General Fund	Other Funds	General Fund	Other Funds
BUILDING RENEWAL				
State Aviation Fund	0	141,100	0	141,100
State Highway Fund	0	3,777,100	0	3,877,200
SUBTOTAL	0	3,918,200	0	4,018,300
INDIVIDUAL PROJECTS				
<u>MVD Projects</u>				
Payson MVD Service Center	0	0	0	1,229,400
Surprise MVD Service Center	0	3,956,300	0	6,152,000
Far Southeast Valley Multi-Use Facility	0	0	0	6,701,900
<u>Highway Maintenance Projects</u>				
Safford Vehicle Maintenance Shop	0	3,215,000	0	0
Vehicle Wash Systems	0	2,021,300	0	2,398,500
De-Icer Materials Storage Buildings	0	1,850,000	0	0
Asphalt Storage Tanks	0	1,365,000	0	0
DPS Microwave Communications System	0	826,000	0	826,000
<u>Highway Construction</u>				
Controlled Access Highways	0	106,300,000	0	111,785,000
Debt Service	0	103,327,000	0	103,327,000
Statewide Highway Construction	0	23,727,000	0	99,635,000
<u>Aviation Projects</u>				
Grand Canyon Airport Restrooms	0	210,000	0	330,000
Grand Canyon Water Storage Tank Refurbishments	0	635,000	0	0
Airport Planning and Development	0	32,800,000	0	25,306,000
<u>Other</u>				
New Administration Building Planning	0	250,000	0	0
SUBTOTAL	0	280,482,600	0	357,690,800
TOTAL - ALL PROJECTS	0	284,400,800	0	361,709,100

Capital Outlay

Arizona Department of Transportation Building System

	<u>FY 2008 Executive</u>		<u>FY 2008 JLBC Baseline</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
FUND SOURCES				
<u>Other Appropriated Funds</u>				
Highway User Revenue Fund		0		8,893,300
State Aviation Fund		33,786,100		25,777,100
State Highway Fund		250,614,700		327,038,700
SUBTOTAL - Other Appropriated Funds		284,400,800		361,709,100
SUBTOTAL - Appropriated Funds		284,400,800		361,709,100
TOTAL - ALL SOURCES		284,400,800		361,709,100

ARIZONA BOARD OF REGENTS - CAPITAL OUTLAY

	JLBC BASELINE	EXECUTIVE
Total Appropriations (Pg. 575)	<u>FY 2008</u> • \$18.8 M GF	<u>FY 2008</u> • \$0 M GF
Building Renewal (Pg. 575)	• \$18.8 M GF to fund 26% of the building renewal formula	• Does not include
Other Capital Related Items in Operating Budgets		
ASU College of Construction	• Does not include	• \$1.5 M GF for first year debt service on 20-year lease-purchase of \$20 M College of Construction building
ASU/UofA Arizona Biomedical Collaborative Building 2	• Does not include	• \$10.5 M GF total for Arizona Biomedical Collaborative Building 2 schematic design • Provides \$5.25 M GF to each of ASU and UofA

Capital Outlay

Arizona Board of Regents Building System

	<u>FY 2008 Executive</u>		<u>FY 2008 JLBC Baseline</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
BUILDING RENEWAL				
Arizona Board of Regents	0	0	18,820,400	0
TOTAL	0	0	18,820,400	0
<hr/>				
FUND SOURCES				
General Fund	0	0	18,820,400	0
TOTAL - ALL SOURCES		0		0

CAPITAL OUTLAY BUDGET
JLBC Book I –
Description of FY 2008 JLBC Baseline

**Capital Outlay
Summary**

JLBC: Lorenzo Martinez
OSP: Marcel Benberou

DESCRIPTION	FY 2008 JLBC
BUILDING RENEWAL	
ADOA Building System	9,423,100
ADOT Building System	4,018,300
ABOR Building System	18,820,400
SUBTOTAL	32,261,800
INDIVIDUAL PROJECTS	
ADOA Building System	24,761,000
ADOT Building System	357,690,800
SUBTOTAL	382,451,800
TOTALS	
ADOA Building System	34,184,100
ADOT Building System	361,709,100
ABOR Building System	18,820,400
TOTAL - ALL PROJECTS	414,713,600
FUND SOURCES	
General Fund	41,234,400
<u>Other Appropriated Funds</u>	
State Aviation Fund	25,777,100
Capital Outlay Stabilization Fund	7,257,100
Arizona Exposition and State Fair Fund	1,631,800
Game and Fish Fund	711,200
Game and Fish Capital Improvement Fund	1,595,000
State Highway Fund	327,038,700
Highway User Revenue Fund	8,893,300
State Lottery Fund	60,000
Watercraft Licensing Fund	515,000
SUBTOTAL - Other Appropriated Funds	373,479,200
SUBTOTAL – Appropriated Funds	414,713,600
Other Non-Appropriated Funds	353,778,000
Federal Funds	402,485,000
TOTAL - ALL SOURCES	1,170,976,600

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.

The following amounts are one-time appropriations.

	FY 2008
Capital Outlay	GF \$41,234,400
	OF 373,479,200

The Capital Outlay budget includes a total of \$414,713,600 in FY 2008. Of the total, \$41,234,400 is from the General Fund and \$373,479,200 is from Other

Funds. The budget consists of 2 main categories: 1) Building Renewal and 2) Individual Projects.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review

(JCCR). The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by the Arizona Department of Administration (ADOA) or individual agencies within the ADOA Building System that have their own funding source for building renewal, the Arizona Department of Transportation (ADOT), and the Arizona Board of Regents (ABOR) for their respective building systems.

The JLBC Baseline includes total funding of \$32,261,800 for Building Renewal in FY 2008. Of the total, \$18,820,400 is from the General Fund and \$13,441,400 is from Other Funds. These amounts include:

Arizona Department of Administration	
Capital Outlay Stabilization Fund @ 26%	\$7,257,100
Exposition and State Fair Fund @ 100%	1,631,800
Game and Fish Fund @ 100%	474,200
State Lottery Fund @ 100%	<u>60,000</u>
Subtotal – ADOA	\$9,423,100
Arizona Department of Transportation	
State Highway Fund @ 50%	\$3,877,200
State Aviation Fund @ 100%	<u>141,100</u>
Subtotal – ADOT	\$4,018,300
Arizona Board of Regents	
General Fund @ 26%	\$18,820,400

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

Individual Projects

The JLBC Baseline includes a total of \$382,451,800 for individual capital projects in FY 2008. Of the total, \$22,414,000 is from the General Fund and \$360,037,800 is from Other Funds. These amounts include \$9,500,000 from the General Fund and \$1,033,000 from Other Funds that were appropriated by Laws 2006, Chapter 345. As a result of these appropriations, this funding will not appear in the FY 2008 Capital Outlay Bill. (See the individual building systems write-ups for more information.)

Long-Term Financing Summary

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 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. Table 1 provides information on current lease-to-own agreements.

Table 1

	Privatized Lease to Own Summary		
	Original Issue	FY 2008 Payment	Lease Completion
DEQ	NA	\$ 5,272,900	FY 2027
ADOA	NA	3,082,100	FY 2027
DHS	NA	2,699,200	FY 2028
Total	NA	\$11,054,200	NA

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 School Facilities Board also entered into lease-purchase agreements between FY 2003 and FY 2005 for the construction of new schools. Beginning in FY 2006, new school construction was financed on a cash basis.

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, plus interest, until the project is completed in 2009.

Table 2 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 2 also shows the outstanding bond balances and the payment for FY 2008 for current bond issuances.

Table 2		
Lease-Purchase Summary		
	Balance ^{1/}	FY 2008 Pymt
<u>ADOA Building System</u>		
2001A/B Issuance/Refinance:		
Prisons/ENSCO	9,140,600	7,289,400
Revenue Building	3,518,700	2,806,000
DES Homes	449,700	358,600
Capital Center	2,621,000	2,090,200
Subtotal	15,730,000	12,544,200
2002A Issuance:		
Health Laboratory	24,385,000	2,319,600
2002B Issuance/Refinance:		
16th Ave. Parking	1,617,700	419,400
Courts Building	14,452,800	3,752,500
Historical Museum	5,321,300	1,379,900
ASDB Food Service	1,602,400	418,500
DES West	12,748,600	3,312,300
Tucson Building	9,167,200	2,380,000
Subtotal	44,910,000	11,662,600
2004A Issuance/Refinance:		
Records Management	829,600	186,600
Library for the Blind	227,200	109,900
ASDB Projects	5,451,700	1,252,100
1616 West Adams	1,317,600	620,700
Tonto Natural Bridge	1,628,900	371,800
Subtotal	9,455,000	2,541,100
2004B Issuance		
DOC Prison Expansions	26,695,000	3,193,600
Subtotal- ADOA	121,175,000	32,261,100
<u>School Facilities Board</u>		
New School Construction	826,810,300	71,967,200
<u>ABOR Building System</u>		
Arizona State University	410,269,000	35,516,000
Northern Arizona University	105,077,000	6,785,000
University of Arizona	555,048,000	42,706,000
Subtotal- ABOR	1,070,394,000	85,007,000
Phoenix Civic Plaza Expansion	0 ^{2/}	0
TOTAL- Lease-Purchase	2,018,379,300	189,235,300
Bonding Summary		
	Balance ^{1/}	FY 2008 Pymt
<u>School Facilities Board</u>		
Deficiencies Correction:		
Proposition 301	657,416,500	65,846,700
State Land Trust – FY 2004	219,420,000	25,434,500
Subtotal - SFB	876,836,500	91,281,200
Department of Transportation	2,073,855,000 ^{3/}	323,711,000
<u>ABOR Building System</u>		
Arizona State University	387,350,000	34,486,000
Northern Arizona University	131,805,000	15,567,000
University of Arizona	283,445,000	33,826,000
Subtotal- ABOR	802,600,000	83,879,000
TOTAL- Bonding	3,753,291,500	498,871,200
TOTAL	5,771,670,800	688,106,500
^{1/} ADOA balances are as of June 30, 2008. All other balances as of June 30, 2006.		
^{2/} \$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.		
^{3/} Includes \$1,548,425,000 for HURF bonds, \$325,430,000 for GANs, and \$200,000,000 for BFOs.		

Capital Outlay

Arizona Department of Administration Building System

JLBC: Lorenzo Martinez/Jeremy Olsen

OSPB: Marcel Benberou/Matt Gottheiner

DESCRIPTION	FY 2008 JLBC
BUILDING RENEWAL	
Arizona Department of Administration	7,257,100
Arizona Exposition and State Fair Board	1,631,800
Game and Fish Department	474,200
Arizona Lottery Commission	60,000
SUBTOTAL	9,423,100
INDIVIDUAL PROJECTS	
ADOA - Former Health Laboratory Renovation	4,414,000
ADOA - Department of Corrections Prison Cell Door and Lock Replacement	8,500,000
Legislative Council - State Archives and History Building	8,000,000
DPS Microwave Communications System	1,500,000
Game and Fish Headquarters Construction	80,000
Game and Fish Boat Shade Canopies	195,000
Game and Fish Boat Registration Kiosks	240,000
Game and Fish Shooting Range Access	150,000
Game and Fish Preventative Maintenance	30,000
Game and Fish DPS Microwave Communications System	207,000
Game and Fish Becker Lake Facilities Improvements	120,000
Game and Fish Becker Lake Wildlife Area Bridge	52,000
Game and Fish Regional (Flagstaff) Office Remodel/Expansion	1,050,000
Game and Fish Seven Mile Shooting Range	48,000
Game and Fish Robbins Butte Levee	175,000
SUBTOTAL	24,761,000
TOTAL - ALL PROJECTS	34,184,100
FUND SOURCES	
General Fund	22,414,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	7,257,100
Arizona Exposition and State Fair Fund	1,631,800
Game and Fish Fund	711,200
Game and Fish Capital Improvement Fund	1,595,000
State Lottery Fund	60,000
Watercraft Licensing Fund	515,000
SUBTOTAL - Other Appropriated Funds	11,770,100
SUBTOTAL - Appropriated Funds	34,184,100
TOTAL - ALL SOURCES	34,184,100

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 2008 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.

The funding will be used to begin conversion of the department's analog microwave radio system with a digital system. The microwave system is the backbone of the DPS statewide radio system. The radio system provides dispatch control of radio base stations and connects 53 remote radio communication sites and 20 state office locations. In addition, data from the Arizona Criminal Justice System is also sent over the microwave system to criminal justice agencies around the state.

The complete upgrade includes 3 segments (south, west and north). Each segment of the system operates independently enabling single or multiple digital segments to coexist with the current analog system. The cost to upgrade all 3 segments is estimated to be \$60 million, including \$12.1 million to upgrade the first segment (south).

Game and Fish Projects – The JLBC includes \$2,347,000 from Other Funds in FY 2008 for Arizona Game and Fish Department projects. This amount consists of:

Game and Fish Capital Improvement Fund	\$1,595,000
Game and Fish Fund	237,000
Watercraft Licensing Fund	515,000

Statewide Projects

Headquarters Construction OF 80,000

The JLBC includes \$80,000 from the Watercraft Licensing Fund in FY 2008 for the Watercraft/Off-Highway Vehicle Division's portion of construction costs for the Ben Avery headquarters building. An additional \$80,000 will be allocated in FY 2009.

The agency has broken ground on a replacement headquarters at the Ben Avery shooting range. The new headquarters will contain 80,000 square feet of office space and 24,000 square feet of storage space, which represent increases of 9,000 and 7,000 square feet, respectively. The agency has executed a privatized lease-to-own agreement for construction and lease back of the facilities over 25 years, with annual payments of approximately \$1.5 million from the non-appropriated Wildlife Conservation Fund (Heritage Fund).

Boat Shade Canopies OF 195,000

The JLBC includes \$195,000 from the Watercraft Licensing Fund in FY 2008 for the construction of boating of 24 shade canopies at regional offices across the state. These canopies serve as storage for department boats and off-highway vehicles. Depending on the height of the canopy, 10 feet or 14 feet, the cost per canopy is estimated to be \$6,000 and \$7,500, respectively.

Boat Registration Kiosks OF 240,000

The JLBC includes \$240,000 from the Watercraft Licensing Fund in FY 2008 for the construction of boat registration kiosks in areas which are distantly located from departmental regional offices to provide greater access for boating registration. Approximately 15-20

kiosks will be installed at Motor Vehicle Department locations throughout the state at estimated costs of \$12,000-\$16,000 depending on location.

Shooting Range Access OF 150,000

The JLBC includes \$150,000 from the Game and Fish Capital Improvement Fund in FY 2008 for continued shooting range access improvements. These improvements will partially resurface roadways at the department's 5 shooting ranges, which are generally unpaved or paved to light-duty standards.

Preventative Maintenance OF 30,000

The JLBC includes \$30,000 from the Game and Fish Fund in FY 2008 to continue funding for preventative maintenance. The 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.

Microwave Communications

System OF 207,000

The JLBC includes \$207,000 from the Game and Fish Fund in FY 2008 for the Game and Fish share of design, construction, and implementation of a microwave communications system upgrade. Because Laws 2006, Chapter 345 advance appropriated this amount for FY 2007, FY 2008 and FY 2009, these monies will not appear in the Capital Outlay Bill. (See *DPS Microwave Communication System and ADOT capital section for more information.*)

Region I (Pinetop) Projects

Becker Lake Facilities

Improvements OF 120,000

The JLBC includes \$120,000 from the Game and Fish Capital Improvement Fund in FY 2008 to construct an ADA accessible fishing pier which will also be used as a boat courtesy dock, handicap accessible parking, and restroom renovations.

Becker Lake Wildlife

Area Bridge OF 52,000

The JLBC includes \$52,000 from the Game and Fish Capital Improvement Fund in FY 2008 for the construction of a footbridge over the Little Colorado River at the Becker Lake Wildlife Area, located within Springerville city limits. The bridge would be approximately 75 feet long and 4 feet wide and would be incorporated into the site's current trail system.

Region II (Flagstaff) Projects

Flagstaff Regional Office

Remodel/Expansion OF 1,050,000

The JLBC includes \$1,050,000 from the Game and Fish Capital Improvement Fund in FY 2008 for the expansion and renovation of the regional office located in Flagstaff.

Originally built in 1991, the current office is approximately 6,000 square feet in size. This expansion would add a total of 2,550 square feet, adding 1,800 square feet of additional office space and enlarging the conference room by 750 square feet. The department estimates the cost per square foot for new construction at \$192, which includes a 10% project contingency rate. This amount is reasonable for a project of this type.

In addition, the adjacent warehouse building will also be expanded from 3,750 square feet to 7,500 square feet. Total costs to expand the office and warehouse buildings are estimated by the department to be \$770,900.

The current office building will also be renovated during the expansion, replacing the existing carpet, painting the exterior and interior of the building, and replacing metal roofing tiles. The capacity of the electrical and HVAC systems will be upgraded to accommodate the additional space. Renovation costs for this project are anticipated to be \$174,600.

The project will also require site regrading and repaving of the parking lot, storm drain improvements, and new landscaping. Costs of these improvements are expected to be \$104,500.

Region III (Kingman) Projects

Seven Mile Shooting Range OF 48,000

The JLBC includes \$48,000 from the Game and Fish Capital Improvement Fund in FY 2008 to modify the water system at the Seven Mile Shooting Range. The improvements are expected to increase water pressure, which currently is insufficient to provide adequate flow to buildings

Region VI (Mesa) Projects

Robbins Butte Levee OF 175,000

The JLBC includes \$175,000 from the Game and Fish Capital Improvement Fund in FY 2008 for the repair of the flood levee along the southern boundary of the Robbins Butte Wildlife Area headquarters compound. This levee was damaged during flooding which occurred in 2003.

The levee will be substantially rebuilt, which will require hiring a specialized consultant for engineering work and purchasing materials designed to make the structure more resilient against large water flow events.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes

Building Renewal

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2008 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 2008 that are unexpended or unencumbered on June 30, 2009 shall revert to the fund from which they were appropriated. The building renewal expenditure plans submitted by agencies for review by the Joint Committee on Capital Review shall identify the components for each project that incorporate energy efficient systems.

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, 2007.

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.

New Footnotes

The Arizona Game and Fish Department shall conduct a study to determine the feasibility of developing a shooting range in the Sunflower, Arizona area, and report its findings to the Joint Committee on Capital Review by October 15, 2007.

of \$2,145,300 and a \$915,900 appropriation for the facility in FY 2006. While the FY 2008 appropriation would be from the Highway User Revenue Fund, the prior appropriation was from the State Highway Fund. The use of Highway User Revenue Fund monies would effectively share the cost of MVD service center construction with cities and counties. These local entities benefit from MVD revenue collections by receiving 55% of vehicle license taxes and 49.5% of Highway User Revenue Fund revenues.

ADOT already owns the land where the facility would be constructed. The service center would include facilities for customer service, vehicle inspection, commercial drivers license, and an executive hearing office.

The current leased facility in a strip mall has 1,900 square feet. 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. 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.

Surprise MVD Service Center OF 6,152,000

The JLBC includes \$6,152,000 from the Highway User Revenue Fund in FY 2008 to ADOT to construct a new 15,380 square foot Surprise MVD Service Center at a construction cost of \$400 per square foot. The service center would include facilities for customer service, vehicle inspection, enforcement, and an executive hearing office.

ADOT owns the current 6,200 square foot facility, which has insufficient parking and a crowded customer waiting area. In FY 2004, the office had 104 customers per lobby square foot. ADOT was appropriated \$2,736,200 from the State Highway Fund in FY 2007 to purchase 5 acres of land for this facility, and is in the process of buying the land.

The use of Highway User Revenue Fund monies would effectively share the cost of MVD service center construction with cities and counties. These local entities benefit from MVD revenue collections by receiving 55% of vehicle license taxes and 49.5% of Highway User Revenue Fund revenues.

Vehicle Wash Systems OF 2,398,500

The JLBC includes \$2,398,500 from the State Highway Fund in FY 2008 to ADOT to construct new vehicle wash systems at 6 rural highway maintenance sites statewide, including Fredonia, Kayenta, Ganado, Springerville, Globe and Safford. Each vehicle wash system costs \$399,800, or \$333 per square foot. A wash system includes a 1,200 square foot metal building, a rack frame for handling de-icer material spreaders, and equipment to contain contaminants such as road tar, lubricants and de-icer salts. The wash systems will help ADOT meet wastewater environmental regulations to protect surface and ground water.

Far Southeast Valley

Multi-Use Facility OF 6,701,900

The JLBC includes \$6,701,900 in FY 2008 to ADOT to purchase 25 acres of land in the far southeast valley for a new southeast valley multi-use facility. This amount consists of:

Highway User Revenue Fund	1,511,900
State Highway Fund	5,190,000

The 25 acres include 20 acres for a highway maintenance yard and 5 acres for a new MVD customer service center. State Highway Fund monies are included for the highway maintenance yard land. The use of Highway User Revenue Fund monies would effectively share the cost of MVD service center construction with cities and counties. These local entities benefit from MVD revenue collections by receiving 55% of vehicle license taxes and 49.5% of Highway User Revenue Fund revenues.

ADOT estimates an additional cost of \$10.8 million in FY 2009, including \$3.8 million to build certain highway maintenance facilities and \$7 million to build a new 15,400 square foot MVD customer service center. The new facilities would accommodate freeway expansion and population growth in the far southeast valley.

Grand Canyon Airport

Restrooms OF 330,000

The JLBC includes \$330,000 from the State Aviation Fund in FY 2008 to ADOT to renovate, enlarge, and make the Grand Canyon Airport terminal restrooms compliant with Americans with Disabilities Act (ADA) requirements. The renovated bathrooms would have a total of 1,200 square feet, for a cost of \$275 per square foot. The current 40-year-old facility is too small to accommodate the number of passengers, and the bathroom fixtures and size of the stalls are not ADA compliant. The project would double the size of the bathrooms, install water conserving ADA compliant fixtures, and replace deteriorated water supply and waste lines.

DPS Microwave

Communications System OF 826,000

The JLBC includes \$826,000 from the State Highway Fund in FY 2008 to ADOT for DPS Microwave Communications System authorized in Laws 2006, Chapter 345 (Capital Outlay Bill). Chapter 345 appropriated \$826,000 from the State Highway Fund in each of FY 2007, FY 2008 and FY 2009 to ADOT for distribution to the Department of Public Safety for the design, construction and implementation of a microwave communications system upgrade. As a result of this appropriation, this funding will not appear in the FY 2008 Capital Outlay Bill.

Controlled Access Highways OF 111,785,000

The JLBC includes \$111,785,000 from the State Highway Fund for the Highway User Revenue Fund formula dedicated to the construction of urban freeways in

FY 2008. The Maricopa Association of Governments (MAG) receives 75% and the Pima County Association of Governments (PAG) receives 25%.

Debt Service OF 103,327,000

The JLBC includes \$103,327,000 from the State Highway Fund for the appropriated portion of the debt service on bonds in FY 2008. ADOT has approximately \$2.1 billion in outstanding bonds and other long-term debt. The amount represents the appropriated component of debt service. See *Table 2* for more information on debt service.

Statewide Highway Construction OF 99,635,000

The JLBC includes \$99,635,000 from the State Highway Fund for highway construction in FY 2008. The expenditure of these monies is determined by the Transportation Board, which develops a 5-year plan. The level of State Highway Fund construction funding to be deposited into the Statewide Transportation Acceleration Needs Account (STAN) in FY 2008 is yet to be determined. (*Please see Other Issues for Legislative Consideration for further discussion of STAN.*)

Only a small portion of the state's total highway construction funding is appropriated. See Total Highway Construction Funding discussion and *Table 3* in Other Issues for Legislative Consideration for more information.

Airport Planning and Development OF 25,306,000

The JLBC includes \$25,306,000 from the State Aviation Fund for the department's airport construction program in FY 2008. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2008 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 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 2008 that are unexpended or unencumbered on June 30, 2009 shall revert to the fund from which the monies were appropriated. The building renewal expenditure plans submitted by agencies for review by the Joint Committee on Capital Review shall identify the components for each project that incorporate energy efficient systems.

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 Appropriations Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.

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.

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.

Deletion of Prior Year Footnotes

The JLBC deletes the footnote stating that before the expenditure of any monies for Professional and Outside Services, including contracted field administration and field engineering, ADOT shall submit information on Professional and Outside Services funded from the capital budget to the Joint Committee on Capital Review. (*ADOT's consultants budget has been consistent from year-to-year, however, it remains difficult to measure the efficiency of these expenditures.*)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Statewide Transportation Acceleration Needs Account

The Statewide Transportation Acceleration Needs Account (STAN) was established as a separate account in the State Highway Fund with a deposit of \$307,000,000 in FY 2007. This amount consists of:

General Fund	245,000,000
State Highway Fund	62,000,000

The State Transportation Board uses monies in the STAN only to pay for certain costs for the construction or reconstruction of freeways, state highways, bridges and interchanges that are in a county's regional transportation plan or ADOT's long-range statewide transportation plan. STAN monies may only be used to supplement, not supplant, funding that would otherwise be made available for projects. STAN monies are divided 60% for Maricopa County, 16% for Pima County and 24% for all other counties.

The State Transportation Board has approved spending a total of \$319,500,000 of STAN monies, including the FY 2007 appropriation of \$307,000,000 and \$12,500,000 in interest, to accelerate a total of 11 projects. The 11 projects include 7 projects in Maricopa County, 3 in Pima County, and 1 in Pinal County. The 7 Maricopa County projects include 6 construction projects and 1 right-of-way acquisition project, as follows:

- Add a third lane in each direction to I-10 from Verrado Way to Sarival Road in the West Valley.
- Add a third lane in each direction to I-17 from Carefree Highway to Anthem Way in the North Valley.
- Add high occupancy vehicle (HOV) lanes in each direction to Loop 101 from Tatum Boulevard to Princess Drive in Scottsdale.
- Add HOV lanes in each direction to Loop 101 from Baseline Road to Loop 202 in Mesa.
- Build a partial interchange for the future Loop 303 at Bell Road in the Northwest Valley.
- Make road improvements on Cactus and Waddell Roads for future Loop 303 crossings in the West Valley.
- Purchase rights-of-way for construction of a Williams Gateway Freeway from Loop 202 to Ellsworth Road in Mesa.

The 3 Pima County construction projects include:

- Add a general purpose lane in each direction to I-10 from Pinal Air Park Road to Tangerine Road.
- Add a left turn lane and widen SR 86 at the town of Sells.
- Make intersection improvements at SR 86 and Kinney Road.

The Pinal County construction project is to add a general purpose lane in each direction to I-10 from Pinal Air Park Road to Picacho Peak Road.

Summary of Non-Appropriated Capital Funds Expended

Table 1 provides a summary of non-appropriated capital funds expended. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget section. This latter section does not include the non-appropriated capital expenditures as those only appear in Table 1.

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 23, 2006 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 adopted by the State Transportation Board totals \$1,445,851,000 for FY 2008, including \$1,122,140,000 for construction and maintenance projects scheduled to begin in FY 2008, and \$323,711,000 for debt service. The \$1.1 billion in newly-begun projects will be expended over several fiscal years. For details please see Table 2. Table 2 does not reflect the dollar amount of any STAN projects that ADOT has accelerated to begin in FY 2008, since these projects were accelerated after the current 5-Year Highway Construction Program was adopted by the Board on June 23, 2006.

Total Highway Construction Funding

Table 3 summarizes all estimated revenues and expenditures for FY 2008, on a cash flow basis as provided by the department. Table 3 includes cash flow revenue of \$153,500,000 from STAN, which represents the portion of the FY 2007 STAN appropriation of \$307,000,000 expected to be expended in FY 2008.

The previous Table 2, 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 2008 (excluding the dollar amount of any STAN projects accelerated to begin in FY 2008, as described under Highway Construction).

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.

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. Table 4 explains the formula distribution of HURF monies between state and local governments. Table 5 presents the overall HURF distribution for FY 2006 through FY 2008. The line in Table 5, 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 line represents the amount that is available from the discretionary State Highway Fund to fund the State Transportation Board's 5-Year Plan.

	\$ in Thousands		
	FY 2006	FY 2007	FY 2008
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 3,362	\$ 2,959	\$ 3,233
Federal Grants	<u>399,475</u>	<u>379,255</u>	<u>399,252</u>
Subtotal – Federal Funds	402,837	382,214	402,485
Economic Strength Project Fund	996	1,100	1,100
Highway Expansion and Extension Loan Program Fund	35,336	50,992	50,992
Local Agency Deposits Fund	40,709	36,433	36,433
Maricopa Regional Area Road Fund	<u>227,601</u>	<u>265,253</u>	<u>265,253</u>
Subtotal – Other Non-Appropriated Funds	304,642	353,778	353,778
Total	\$707,479	\$735,992	\$756,263

	FY 2008
Construction	\$ 362,826,000
Urban Controlled Access ^{2/}	430,055,000
Pavement Preservation Maintenance	133,247,000
Other ^{3/}	196,012,000
Debt Service ^{4/}	<u>323,711,000</u>
Total	\$1,445,851,000

^{1/} Does not reflect the dollar amount of any STAN projects that ADOT has accelerated to begin in FY 2008, since these projects were accelerated after the current 5-Year Highway Construction Program was adopted by the Board on June 23, 2006.

^{2/} Includes expenditures from the Highway User Revenue Fund for controlled access and from the Maricopa Regional Area Road Fund.

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

^{4/} Information provided by the department. Includes \$103,327,000 in FY 2008 for State Highway Fund statewide construction bonds; \$61,117,000 for Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds; \$41,631,000 for Maricopa Regional Area Road Fund Bonds; \$51,636,000 for Grant Anticipation Notes, and \$66,000,000 for Board Funding Obligation repayments from the State Highway Fund.

	FY 2008
Balance Forward ^{1/}	\$333,058,000
Revenues	
Appropriated Statewide Highway Construction	\$99,635,000
Appropriated Controlled Access Highways (MAG&PAG)	111,785,000
Appropriated Debt Service	103,327,000
Statewide Transportation Acceleration Needs Account ^{2/}	153,500,000
½ Cent Sales Tax	217,600,000
Federal Aid	515,632,000
HURF Bond Proceeds ^{3/}	343,000,000
Maricopa Regional Area Road Fund Bond Proceeds ^{3/}	120,000,000
Grant Anticipation Note Proceeds ^{3/}	68,278,000
Board Funding Obligation Borrowings (BFO)	60,000,000
Highway Expansion & Extension Loans (HELP)	2,534,000
Miscellaneous Income/Expenses ^{4/}	(114,705,000)
Subtotal – Revenues	\$1,680,586,000
Total Funds Available for Construction	\$2,013,644,000
Debt Service Expenditures	
Appropriated Debt Service	\$103,327,000
BFO Repayments	66,000,000
HELP Loan Repayments	78,203,000
Other Debt Service (All Other)	154,384,000
Subtotal - Debt Service	401,914,000
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$605,400,000
Controlled Access Highways (MAG)	682,908,000
Subtotal - Construction Expenditures	\$1,288,308,000
Total Planned Expenditures	\$1,690,222,000
Balance Forward	\$323,422,000

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

^{2/} Represents the portion of the FY 2007 STAN appropriation of \$307,000,000 expected to be expended in FY 2008.

^{3/} Proceeds reflect a cash expenditure basis.

^{4/} Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, construction operating budget reimbursements, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.676%
State Highway Fund ^{1/}	<u>42.824%</u>
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.

Table 5

Highway User Revenue Fund (HURF) Distribution

		\$ in Thousands		
		FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>JLBC</u>
Total HURF Collections		1,331,625	1,398,800	1,483,200
Less:	Economic Strength Fund ^{1/}	1,000	1,000	1,000
	ADOT - MVD Operating Budget	383	607	606
	ADOT - Capital Outlay	0	0	8,893
	Dept of Public Safety Transfer from HURF	<u>63,999</u>	<u>10,000</u>	<u>10,000</u>
Net HURF Collections		1,266,243	1,387,193	1,462,701
Less:	Cities ^{2/}	386,128	423,094	446,124
	Counties ^{2/}	240,538	263,567	277,913
	Controlled Access ^{3/}	96,768	106,018	111,785
	Vehicle License Tax Transfer to Parity Compensation Fund ^{4/}	<u>2,693</u>	<u>3,048</u>	<u>3,236</u>
Net State Highway Fund (Discretionary)		540,116	591,466	623,643
Plus:	Other Income ^{5/}	15,018	15,500	16,000
Less:	Operating Budget	364,715	391,757	398,233
	Operating Carryovers, Adjustments and Transfer ^{6/}	4,849	2,843	5
	Capital Outlay and Building Renewal	1,652	10,255	11,466
	Capital Non-Lapsing Carryovers	1,457	8,925	0
	Motor Vehicle Third Party Payments ^{7/}	13,902	15,211	16,151
	Dept of Public Safety Transfer from Highway Fund	42,198	10,000	10,000
	DPS Microwave Communications System ^{8/}	0	826	826
	Statewide Transportation Acceleration Needs Account ^{9/10/}	0	62,000	0
	Debt Service ^{11/}	<u>68,060</u>	<u>73,495</u>	<u>103,327</u>
Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) ^{10/12/}		58,301	31,654	99,635
State Highway Fund Adjustments				
Plus:	Discretionary State Highway Fund Beginning Balance	124,000	99,000	106,000
	Controlled Access State Highway Fund Beginning Balance	156,000	95,000	60,000
	Construction Operating Budget Reimbursements ^{13/}	49,000	58,000	60,000
	Discretionary State Highway Fund Bond Proceeds	118,000	305,000	313,000
	Controlled Access State Highway Fund Bond Proceeds	0	20,000	30,000
	Statewide Transportation Acceleration Needs Account ^{9/}	<u>0</u>	<u>245,000</u>	<u>0</u>
Total Highway Fund Available for Statewide Highway Construction		505,301	853,654	668,635

^{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 2005, Chapter 306 transfers 1.51% of vehicle license tax for distribution to the State Highway Fund to the Parity Compensation Fund beginning in FY 2006.

^{5/} Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income.

^{6/} Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

^{7/} Statutory payments to third parties from vehicle license taxes collected by third parties.

^{8/} Laws 2006, Chapter 345, appropriates \$826,000 from the State Highway Fund in each of FY 2007, FY 2008 and FY 2009 to ADOT for distribution to DPS for the design, construction and implementation of a microwave communications system upgrade.

^{9/} Laws 2006, Chapter 344, appropriates \$307,000,000 in FY 2007 for deposit in the Statewide Transportation Acceleration Needs Account of the State Highway Fund, including \$62,000,000 from the State Highway Fund and \$245,000,000 from the General Fund.

^{10/} The level of State Highway Fund construction funding to be deposited into the STAN in FY 2008 is yet to be determined. Any HURF/Highway Fund deposit would reduce the \$99,635,000 allocation available for the general statewide Highway Construction program.

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

Capital Outlay
Arizona Board of Regents

JLBC: Lorenzo Martinez/Leah Ruggieri
 OSPB: Marcel Benberou

DESCRIPTION	FY 2008 JLBC
BUILDING RENEWAL	
Arizona Board of Regents	18,820,400
TOTAL	18,820,400
FUND SOURCES	
General Fund	18,820,400
TOTAL - ALL SOURCES	18,820,400

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities. Appropriations for ABOR Building System projects are made from the General Fund.

The following amounts are one-time appropriations.

	FY 2008
Building Renewal	GF \$18,820,400

The JLBC includes \$18,820,400 from the General Fund in FY 2008 to ABOR for Building Renewal within the ABOR Building System. This amount funds 26% of the building renewal formula. ABOR would be responsible for allocating the monies to the 3 state universities.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. In FY 2007, the university building renewal formula was funded at \$20,000,000, or 29%. FY 2007 was the first university building renewal funding since FY 2001.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2008 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. 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 FTE 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 2008 that are unexpended or unencumbered on June 30, 2009 shall revert to the fund from which they were appropriated. The building renewal expenditure plans submitted by agencies for review by the Joint Committee on Capital Review shall identify the components for each project that incorporate energy efficient systems.

The Arizona Board of Regents shall require each university to establish a major maintenance and repair account for deposit of amounts allocated by the board to the university from the appropriation made in this subsection. Amounts deposited in this account shall only be used for the purposes provided in subsection A of this section.

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.

STATUTORY CHANGES

Indirect and Third-Party Financing

The JLBC would amend statute to clarify the extent of legislative oversight of capital projects and agreements that benefit the universities.

Prior to FY 2007, statutes required the Joint Committee on Capital Review (JCCR) to review all university projects financed with direct lease-purchase agreements or direct bond issuances that were executed by the universities themselves.

Laws 2006, Chapter 352 added statutes to also require JCCR review of capital projects using indirect debt

financing. Indirect debt financing includes instances where a tax-exempt non-profit organization affiliated with a university executes bonds or lease-purchase agreements, as well as instances where a private developer executes bonds or lease-purchase agreements, for capital projects on university land and/or intended to house university activities.

Universities have recently implemented new financing structures which require further clarifying the statutes governing legislative oversight of capital projects. As a result, JLBC would amend statutes to require JCCR review of capital projects that may eventually become a state asset, and to clarify that ground leases with private firms or non-profit entities are subject to JCCR review.

STATE OF ARIZONA

Joint Committee on Capital Review

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SENATE

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DATE: February 21, 2007

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

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

SUBJECT: Arizona Game and Fish Department – Review of FY 2007 Building Renewal Allocation Plan

Request

The Arizona Game and Fish Department (AGFD) requests Committee review of its FY 2007 Building Renewal allocation plan of \$430,800 from the Game and Fish Fund.

Recommendation

JLBC Staff recommends that the Committee give a favorable review of the department's building renewal allocation plan. The \$430,800 plan includes the following expenditures:

- \$57,600 for fish hatchery projects.
- \$332,700 for shooting range projects.
- \$40,500 for office, storage, and wildlife area projects.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review (JCCR) and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. Laws 2006, Chapter 345 appropriated a total of \$430,800 in FY 2007 from the Game and Fish Fund to the AGFD for building renewal activities

The AGFD has more than 270 structures within its building and infrastructure system across the state totaling over 542,000 square feet. Facilities include the department headquarters in Phoenix, 6 regional offices, fish hatcheries, and multiple residences and storage buildings. The FY 2007 proposed Building Renewal expenditure plan is illustrated in the following table:

(Continued)

<u>Category</u>	<u>Building Renewal Allocation</u>	<u>Total Cost</u>
Fish Hatchery Projects		
Page Springs/Bubbling Ponds – <i>Office and Residential Maintenance</i>	\$ 38,400	\$ 96,300
Tonto Creek - <i>Visitor Center and Residential Maintenance</i>	5,200	15,700
Canyon Creek – <i>Residence and Hatchery Renovations</i>	10,000	13,900
Silver Creek – <i>Residential Maintenance and Driveway Resurfacing</i>	4,000	17,000
Shooting Range Projects		
Ben Avery Rifle/Pistol Ranges – <i>Electrical Renovations</i>	141,200	349,500
Ben Avery Clay Target Center – <i>Electrical Renovations</i>	133,500	872,800
Contingency	58,000	
Other Projects		
Deer Valley Airport Hangar – <i>Roof repairs</i>	5,000	5,000
House Rock Wildlife Area – <i>Residence Renovations</i>	14,000	20,000
Deer Valley Campus – <i>Miscellaneous Repairs as Needed</i>	5,000	5,000
Flagstaff Regional Office – <i>Replace Security Gate</i>	4,000	14,000
Unanticipated modifications or repairs	<u>12,500</u>	
Total	\$430,800	\$1,409,200

The department has indicated the additional project costs will be funded from other fund sources. The submitted material provides additional detail for each project. The projects are consistent with building renewal guidelines and appropriations.

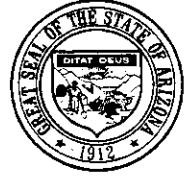
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THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT

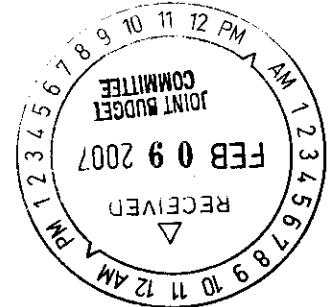
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January 31, 2007

Representative Robert Burns, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890



Re: Request for Placement on Joint Committee on Capital Review Agenda.

Dear Representative Burns:

The Arizona Game & Fish Department requests placement on the February or March 2007 agenda of the Joint Committee on Capital Review to review the following:

- 1. FY 2007 Building Renewal allocation and expenditure plan.

The information for this review is attached.

Sincerely,

Fred J. Bloom, P.E.
Engineering and Construction Manager

FJB:fb

- cc: James Apperson, Director, OSPB
- Representative Russell K. Pearce
- Richard Stavneak, Staff Director, JLBC
- ✓ Lorenzo Martinez, JLBC
- Jeremy Olsen, JLBC

Enc.



AGFD FY 2007 BUILDING RENEWAL EXPENDITURE PLAN	
FY 07 AGFD APPROPRIATION	\$430,800
FISH HATCHERY PROJECTS	
<i>(See attached summary of Hatchery Projects)</i>	
<i>Page Springs/Bubbling Ponds Office, Production Structures and Residential Renovations</i>	\$38,430
Painting, roofing, flooring, heat pump, interior renovations/rodent damage repair residential heater, siding, garage door replacement	
<i>Tonto Creek Visitor Center, Public Restroom and Residential Renovations</i>	\$5,150
Painting, window replacements, siding, flooring	
<i>Canyon Creek Residences and Production Structures</i>	\$10,000
Painting	
<i>Silver Creek Office/Residence</i>	\$4,000
Painting, access/parking area repairs	
TOTAL:	\$57,580
SHOOTING RANGE PROJECTS	
<i>(See attached summary of Hatchery Projects)</i>	
<i>Ben Avery Shooting Facility - Rifle/Pistol Ranges</i>	\$141,200
Main range electrical renovations, main range concrete resurfacing, structures painting	
<i>Ben Avery Shooting Facility - Clay Target Center</i>	\$133,500
Club house remodel, electrical renovations, repair drain field, repair water line	
<i>Contingency (Hatchery and Shooting Range Projects)</i>	\$57,995
TOTAL:	\$332,695
OTHER PROPERTIES	
<i>(See attached summary of Hatchery Projects)</i>	
<i>Deer Valley Airport Hangar</i>	\$5,000
Relocate evaporative coolers, roof repair	
<i>House Rock Wildlife Area Headquarters</i>	\$14,000
Flooring, kitchen renovation, restroom remodel	
<i>Deer Valley Campus</i>	\$5,000
Miscellaneous repairs as needed	
<i>Flagstaff Regional Office</i>	\$4,000
Replace Employee Parking Lot Security Gate	
TOTAL:	\$28,000
<i>Unanticipated Building Modifications, Repairs or Health and Life Safety Items</i>	\$12,525
TOTAL FY 2007 BUILDING RENEWAL ESTIMATED EXPENDITURE	
	\$430,800

**2007 Hatchery Projects By Station
Building Renewal Contribution Summary**

Canyon Creek Hatchery

Structure ADOA Identifier	Activity-Task
GF-70004-001 Admin/Visitor	Install vinyl soffit on eaves
GF-70004-002 Hatchery BLD	Install vinyl soffit on eaves
GF-70004-003 Residence	Install soffit, case porches, paint
GF-70004-004 Raceway canopies	Scrape and paint
GF-70004-005 Feed Storage	Install vinyl soffit on eaves, replace vinyl siding
GF-70004-006 Residence	Paint interior, window covering, vinyl soffit, case porches
GF-70004-007 Residence	Case porches & paint
GF-70004-014 Shed	Scrape and paint
GF-70004-015 Shed	Install vinyl siding, case porch, paint
GF-70004-016 Shed	Vinyl siding & soffit
Interior roads	Crack seal all
Equipment rental (man lift)	For Painting
Total Cost of Improvements	\$13,850
Total Building Renewal Funding	\$10,000

Tonto Creek Hatchery

Structure ADOA Identifier	Activity-Task
GF-7-003-001 Residence	Vinyl floor replacement, paint
GF-7-003-002 Shop/garage	Paint, window replacement, install generator
GF-7-003-003 Hatchery bld.	Vinyl flooring
GF-7-003-005 Residence	Interior paint, window replacement, soffit
GF-7-003-006 Residence	Interior paint, window replacement, soffit
GF-7-003-008 residence	Interior paint, window replacement, flooring
GF-7-003-009 Garage	Window replacement
Interior roads & visitor parking	Crack seal, curbs
Show Pond	Security fence
Total Est. Cost of Improvements	\$15,650
Total Building Renewal Funding	\$5,150

Silver Creek Hatchery

Structure ADOA Identifier	Activity-Task
GF-7-009-002 Residence	Interior paint, misc. hardware
GF-7-009- residence	Interior paint, misc. hardware, counter top, cabinet,
Interior roadway	Resurface, gravel
Total Est. Cost of Improvements	\$17,000
Total Building Renewal Funding	\$4,000

Page Springs Hatchery

Structure ADOA Identifier	Activity-Task
GF-6-003-001 Residence	Roofing, Flooring, soffit, interior paint, ceiling repair, case porch
GF-6-003-002 Residence	Flooring, soffit, case porch
GF-6-003-003 Residence	Shower stall replacement, exterior paint, window
BP001S shed	Siding, exterior paint
BP002S shed	Roof, exterior paint
BP003S shed	Entry pad, paint
GF-6-002-012 Residence	Roofing, Plumbing, wall, attic entrance, heat pump, drainage tiles
GF-6-002-016 Residence	Case trim, replace screens, counter top
GF-6-002-017 Residence	Roofing, Case trim, insulation, duct work, vegetation removal
GF-6-002-018 Garage	Case trim, re-attach ceiling, repair exterior wall
GF-6-002-019 Garage	Case trim, re-attach ceiling
GF-6-002-020 Garage	Case trim
GF-6-002-025 Shop	R & R garage doors, gutters, drainage repair, interior lights, flooring
GF-6-002-026 Office	Gutters, exterior patch and paint, replace sidewalk, flooring, interior paint, exterior security lights
GF-6-002-027 Raceway bank C	Gutters, R&R gates
GF-6-002-028 Raceway bank B	Gutters, R&R gates
GF-6-002-029 Raceway bank A	Gutters, R&R gates
GF-6-002-031 Residence	Flooring, exterior deck seal, window, plumbing
PS 017S shed	Replace porch cover, seal door jams
PS 020S shed	Case trim, paint
General	Equipment rental (man-lift); Interior roads crack sealed; Vegetation removal from all structures
Total Est. Cost of Improvements	\$96,345
Total Building Renewal Funding	\$38,430

Note: All "Cost of Improvements" estimates are for materials only. All labor will be provided by Hatchery personnel.

AGFD BUILDING RENEWAL PROJECT ESTIMATE SUMMARY				
PROJECT LOCATION/DESCRIPTION	Project Construction Estimate	Design/Construction Admin	Building Renewal Portion	Supplemental Funding Sources
SHOOTING RANGE PROJECTS				
<i>Ben Avery Shooting Facility - Rifle/Pistol Ranges</i>				
Main range electrical renovations (matched with other funding)	\$236,000	\$18,500	\$46,200	COLBI Appropriation
Main range concrete resurfacing	\$71,500	n/a	\$71,500	None
Structures Painting	\$23,500	n/a	\$23,500	None
			\$141,200	
<i>Ben Avery Shooting Facility - Clay Target Center</i>				
Electrical Renovations to Trap and Skeet Houses	\$650,000	\$32,000	\$13,500	Shooting Range Development Fund
Club House Renovation	\$160,000	\$11,900	\$120,000	Shooting Range Development Fund
Includes:				
Remediating electrical code compliance items				
Renovation of concession/food service area				
Termite damage repairs				
Interior finishes - painting and flooring				
Club House drain field repair	\$18,900	n/a	\$18,900	None
			\$133,500	
<i>Contingency</i>				
Contingency @5% of Estimated Construction Costs			\$57,995	
			\$332,695	
OTHER PROPERTIES				
<i>Deer Valley Airport Hangar</i>				
Ductwork modifications to accommodate new plane/repairs to roof	\$4,200	n/a	\$4,200	None
<i>House Rock Wildlife Area Headquarters</i>				
Residence Renovations	\$20,000	n/a	\$15,000	Federal Aid Cost for materials only. Labor provided by AGFD personnel
Includes:				
Kitchen remodel				
Bathroom remodel				
Interior finishes - flooring, painting				
<i>Flagstaff Regional Office</i>				
Security gate replacement	\$14,000		\$4,000	COLBI Appropriation
			\$23,200	