

Capital Outlay Summary

	FY 2022 SUPPLEMENTAL	FY 2023 APPROVED
BUILDING RENEWAL		
ADOA Building System		91,645,600
ADOT Building System		18,607,200
ABOR Building System		0
SUBTOTAL		110,252,800
INDIVIDUAL PROJECTS		
ADOA Building System		192,254,633
ADOT Building System		1,494,936,900 ^{1/2/}
ABOR Building System		12,000,000
SUBTOTAL		1,669,191,533
DEBT AND LEASE-PURCHASE FINANCING		
Debt Payoff	93,500,000	0 ^{3/}
LOCAL ASSISTANCE		
Phoenix Convention Center		24,999,400 ^{4/}
Rio Nuevo District		16,000,000 ^{5/}
SUBTOTAL		40,999,400
TOTALS		
ADOA Building System		283,900,233
ADOT Building System		1,513,544,100
ABOR Building System		12,000,000
Other Funding (Lease-Purchase/Local Assistance)	93,500,000	40,999,400
TOTAL - ALL PROJECTS	93,500,000	1,850,443,733^{6/}
FUND SOURCES		
General Fund	93,500,000	362,256,800
<u>Other Appropriated Funds</u>		
Capital Outlay Stabilization Fund		16,000,000
Capitol Mall Consolidation Fund		5,000,000
Department of Corrections Building Renewal Fund		5,864,300
Arizona Exposition and State Fair Fund		1,000,000
Game and Fish Fund		1,459,600
Game and Fish Capital Improvement Fund		450,000
Liquor License Fund		3,500,000
State Lottery Fund		176,400
State Parks Revenue Fund		23,796,333
Pioneers' State Charitable Fund		396,500
State Aviation Fund		48,167,800
State Highway Fund		1,382,376,300
SUBTOTAL - Other Appropriated Funds	0	1,488,186,933
SUBTOTAL - Appropriated Funds	93,500,000	1,850,443,733
Other Non-Appropriated Funds		509,377,000
Federal Funds		1,125,248,000
TOTAL - ALL SOURCES	93,500,000	3,485,068,733

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital assets, which includes buildings, state parks, prisons, highways, and other facilities. 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. In addition, the state makes annual payments for the 2010 Leaseback agreement which was used for operating financing, along with local distributions for the Phoenix Convention Center and the Rio Nuevo District. Capital appropriations are typically made through the Capital Outlay Bill but may be made through other bills as well.

FOOTNOTES

- 1/ Includes \$33,000,000 appropriated from the General Fund in FY 2023 by Laws 2022, Chapter 331.
- 2/ Includes \$400,000,000- appropriated from the State Highway Fund in FY 2023 by Laws 2022, Chapter 218, as amended by Laws 2022, Chapter 309.
- 3/ This amount was appropriated or allocated by the FY 2023 General Appropriation Act (Laws 2022, Chapter 313, Section 99).
- 4/ This amount was appropriated or allocated by the FY 2023 General Appropriation Act (Laws 2022, Chapter 313, Section 112).
- 5/ This amount was appropriated or allocated by the FY 2023 General Appropriation Act (Laws 2022, Chapter 313, Section 113)
- 6/ Unless otherwise noted, amounts were appropriated by the FY 2023 Capital Outlay Bill (Laws 2022, Chapter 309).

The following amounts are one-time appropriations:

Summary

The budget includes a total of \$1,850,443,733 from Appropriated Funds in FY 2022. Of the total, \$362,256,800 is from the General Fund and \$1,488,186,933 is from Other Appropriated Funds. The budget consists of 4 main categories: 1) Building Renewal, 2) Individual Projects, 3) Debt and Lease-Purchase Financing, and 4) Local Assistance.

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

The budget includes total funding of \$110,252,800 in FY 2023 for Building Renewal, which consists of \$68,145,300 from the General Fund and \$42,107,500 from Other Appropriated Funds. These amounts include:

	FY 2023
Arizona Department of Administration Capital Outlay Stabilization Fund and General Fund @ 100% (excludes ADC, Game and Fish, Lottery buildings)	\$53,594,200
Department of Corrections ADC Building Renewal Fund and General Fund @ 100%	36,415,400
Game and Fish Department Game and Fish Fund @ 100%	1,459,600
State Lottery Commission State Lottery Fund @ 100%	<u>176,400</u>
Subtotal - ADOA	\$91,645,600

Arizona Department of Transportation

State Highway Fund @ 100%	\$18,139,400
State Aviation Fund @ 100%	<u>467,800</u>
Subtotal - ADOT	\$18,607,200

(See the individual building systems' section for more information.)

Individual Projects

The budget includes total funding of \$1,669,191,533 in FY 2023 for individual capital projects, which consists of \$253,112,100 General Fund and \$1,446,079,433 from Other Appropriated Funds.

(See the individual building systems' sections for more information.)

Debt and Lease-Purchase Financing

The budget includes no funding in FY 2023 for payments related to lease-purchase financing debt payoff.

The budget includes \$93,500,000 from the General Fund for various debt payoff appropriations that were allocated as non-lapsing FY 2022 supplementals.

(See the Debt and Lease-Purchase Financing section for more information.)

Local Assistance

The budget includes \$40,999,400 from the General Fund in FY 2023 for the state's share of the long term financing for the Phoenix Convention Center and the Rio Nuevo Multipurpose Facilities District. *(See the Local Assistance section for more information.)*

Capital Outlay

Arizona Department of Administration Building System

FY 2023
APPROVED

BUILDING RENEWAL

Department of Administration	53,594,200 ^{1/2/}
Department of Corrections	36,415,400 ^{3/}
Game and Fish Department	1,459,600
Arizona State Lottery Commission	176,400
SUBTOTAL	91,645,600

INDIVIDUAL PROJECTS

Arizona Department of Administration (ADOA)

Building Demolition	1,568,000
West Adams Building Renovations	52,274,000

Arizona Department of Corrections

Replace Evaporative Cooling Statewide with HVAC	47,600,000
Statewide Door, Lock, and Fire Alarm System Replacement	20,400,000

Arizona State Schools for the Deaf and the Blind

Classroom Notification System	96,000
Security Upgrades	420,000
Food Service Equipment Replacement	350,000

Department of Emergency and Military Affairs

Tucson Readiness Center	1,800,000
Fire Suppression Projects	1,151,100

Arizona Exposition and State Fair

Capital Improvements	1,000,000
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Game and Fish Department

Dam Maintenance	150,000
Property Maintenance	300,000

Judiciary

Air Handler and Sewer Replacement	3,200,000
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Arizona Department of Juvenile Corrections

Water and Waste Chase Closet Replumbing	400,000
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Legislative Council

Capitol Improvements	5,700,000 ^{4/}
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Department of Liquor License and Control

Space Reconfiguration	3,500,000 ^{5/6/}
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Arizona State Parks Board

Capital Improvements	2,742,800
Dead Horse Ranch Amphitheater	210,000
Rockin' River Park Construction	336,800
Jerome Fire Suppression System	1,540,000
Southern Construction Services Relocation	2,000,000
Tonto Natural Bridge Historic Building Renovation	3,500,000
Tombstone Courthouse Renovation	2,008,500
Rockin' River Ranch Renovation	1,750,000
Catalina Main Entrance Bridge	1,500,000
Statewide Campground Improvements	4,100,000
Statewide Sunshade Structures	2,233,333
Statewide Water Conservation	1,339,000
Smart Phone Application	535,600 ^{7/}

Arizona Pioneers' Home

Capital Improvements	396,500
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Arizona Department of Public Safety

Remote Officer Housing	9,750,000 ^{8/}
Evidentiary Vehicle Storage	1,016,400

ADOA- Local Distributions

Dark Sky Discovery Center	2,500,000 ^{4/}
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	FY 2023 APPROVED
Northern Arizona Observatory	5,000,000 ^{4/}
Homeless Veterans Housing	2,386,600 ^{4/}
ADOA – Tribal Distributions	
Lukachukai Veterans' Multipurpose Complex	500,000 ^{4/}
Little Colorado River Visitor Center	1,000,000 ^{4/}
Teesto Multipurpose Community Center	1,000,000 ^{4/}
Dilkon Center Improvements	3,000,000 ^{4/}
Kayenta Judicial Complex	2,000,000 ^{4/}
SUBTOTAL	192,254,633
TOTAL – ALL PROJECTS	283,900,233
FUND SOURCES	226,257,400
General Fund	
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Capitol Mall Consolidation Fund	5,000,000
Department of Corrections Building Renewal Fund	5,864,300
Arizona Exposition and State Fair Fund	1,000,000
Game and Fish Fund	1,459,600
Game and Fish Capital Improvement Fund	450,000
Liquor License Fund	3,500,000
State Lottery Fund	176,400
State Parks Revenue Fund	23,796,333
Pioneers' State Charitable Fund	396,500
SUBTOTAL - Other Appropriated Funds	57,643,133
SUBTOTAL - Appropriated Funds	283,900,533
TOTAL - ALL SOURCES	283,900,533^{9/-13/}

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) and the Arizona Department of Transportation. 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 2023 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2022-2023 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes (Capital Outlay Appropriation Act footnote)
- 2/ The department of administration shall allocate the monies to state agencies for necessary building renewal. If monies in the capital outlay stabilization fund established by section 41-792.01, Arizona Revised Statutes, are insufficient to fund the appropriation to the department of administration for building renewal, the appropriation to the department of administration is reduced by the difference between the amount appropriated to the department of administration from the capital outlay stabilization fund and the balance in the capital outlay stabilization fund. Notwithstanding title 41, chapter 4, article 7, Arizona Revised Statutes, the department of administration may use monies appropriated for building renewal in fiscal year 2022-2023 for building projects related to retrofitting facilities for space consolidation initiatives. (Capital Outlay Appropriation Act footnote)
- 3/ The state department of corrections may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriation Act footnote)
- 4/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in this subsection is not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 5/ The Arizona state parks board shall report promptly to the joint committee on capital review and the governor's office of strategic planning and budgeting if the board revises the plan for any project for which monies are appropriated by this

subsection because the board receives land and water conservation grant funding. (Capital Outlay Appropriation Act footnote)

- 6/ The Arizona state parks board may use up to ten percent of the monies from any project listed in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. After review by the joint committee on capital review, the Arizona state parks board may use more than ten percent of the monies appropriated for a project in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. (Capital Outlay Appropriation Act footnote)
- 7/ Before the Arizona state parks board spends any monies in the smartphone application line item, the Arizona strategic enterprise technology office shall submit, on behalf of the Arizona state parks board, an expenditure plan to the joint legislative budget committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriation from the automation projects fund pursuant to section 41-714, Arizona Revised Statutes. (Capital Outlay Appropriation Act footnote)
- 8/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation for the department of public safety remote officer housing that is unexpended on June 30, 2025 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 9/ The department of administration may spend up to five percent of the amounts appropriated to the department in this act, excluding amounts to be distributed to non-state agencies, for expenditures for project management of building renewal and capital projects. All other monies appropriated to the department in this act may not be spent for personal services or employee-related expenditures or for maintenance contracts on building components and equipment without review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 10/ Except as provided in subsection A of this section, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 11/ Notwithstanding section 35-190, Arizona Revised Statutes, the \$16,000,000 appropriated to the department of administration by Laws 2020, chapter 57, section 1 in fiscal year 2020-2021 for building renewal at the department of administration is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (Capital Outlay Appropriation Act footnote)
- 12/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency. (Capital Outlay Appropriation Act footnote)
- 13/ Unless otherwise indicated, pursuant to A.R.S § 35-190D, these appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, unless the appropriation is available during the entire fiscal year without an expenditure from or encumbrance on the appropriation

Unless otherwise specified, funding for capital projects is appropriated by Laws 2022, Chapter 309 (FY 2023 Capital Outlay Bill).

Building Renewal

The budget includes \$91,645,600 from the General Fund and Other Appropriated Funds in FY 2023 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$53,594,200 to ADOA, which consists of \$37,594,200 from the General Fund and \$16,000,000 from the Capital Outlay Stabilization Fund (COSF). This amount funds 100% of the ADOA building renewal formula. The FY 2022 appropriation of \$18,000,000 from COSF and \$6,200,000 from the General Fund represented 49.2% of the ADOA formula.
- \$36,415,400 to the Arizona Department of Corrections (ADC), which consists of \$30,551,400

from the General Fund and 5,864,300 from the ADC Building Renewal Fund. This amount funds 100% of the ADC building renewal formula. The FY 2022 appropriation of \$28,070,200 which consisted of \$22,205,800 from the General Fund and \$5,864,300 from the ADC Building Renewal Fund represented 100% of the ADC formula.

- \$1,459,600 to Arizona Game and Fish Department from the Game and Fish Fund which funds 100% of the Game and Fish building renewal formula. The FY 2022 appropriation of \$1,215,800 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$176,400 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2022 appropriation of \$152,800 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Building renewal appropriations to the Department of Administration are used for major maintenance and repair activities for state buildings.

The budget includes a footnote allowing ADOA to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives.

The budget includes a footnote allowing ADOA to use up to 5% of all capital outlay appropriations to the department for project management-related expenses. This footnote does not apply to appropriations for distribution to nonstate entities.

The FY 2023 Management of State Buildings Budget Reconciliation Bill (BRB) as permanent law requires all agencies with capital appropriations to report quarterly to the JLBC Staff and OSPB on the status of all capital projects and expenditures through the life of the project. The provision supersedes prior year semiannual capital reports.

Individual Projects

STATE AGENCIES

Arizona Department of Administration Building Demolition

The budget includes \$1,568,000 from the General Fund in FY 2023 to demolish the following buildings:

- 1818 W Adams (Department of Health Services Vital Records)
- 1850 W Jackson (Vacant Department of Economic Security Data Center)
- 1720 W Madison (Vacant ADOA Maintenance)

ADOA West Adams Building Renovation

The budget includes \$52,274,000 in FY 2023 renovate buildings on West Adams Street. This amount consists of:

General Fund	\$47,274,000
Capitol Mall Consolidation Fund	5,000,000

ADOA plans to renovate the 1616 West Adams (Land Department) and 1688 West Adams (Department of Agriculture). In addition, ADOA plans to demolish 1624 W Adam (Department of Juvenile Corrections) which sits between the renovated buildings and to construction a plaza. Agencies located in these buildings have consolidated space and been relocated to other buildings.

The FY 2023 Management of State Buildings BRB as session law directs the proceeds from the sale of 519

Beale Street in Kingman and 1919 West Jefferson in Phoenix to the Capitol Mall Consolidation Fund.

Arizona Department of Corrections Replace Evaporative Cooling Statewide with HVAC

The budget includes \$47,600,000 from the General Fund in FY 2023 to replace evaporative cooling with HVAC at ADC prisons statewide.

The enacted budget's 3-year spending projections include \$31,422,000 in FY 2024 and \$29,832,000 in FY 2025 for additional statewide HVAC projects at ADC.

Arizona Department of Corrections Statewide Door, Lock, and Fire Systems Replacement

The budget includes \$20,400,000 from the General Fund in FY 2023 to replace doors, locks, and fire alarm systems at ADC prisons statewide.

Arizona Schools for the Dead and the Blind Classroom Notification Replacement

The budget includes \$96,000 from the General Fund in FY 2023 to replace the classroom notification system at the at Arizona State Schools for the Deaf and the Blind (ASDB) Phoenix campus.

Arizona Schools for the Dead and the Blind Security Upgrades

The budget includes \$420,000 from the General Fund in FY 2023 campus security upgrades at ASDB Schools.

Arizona Schools for the Dead and the Blind Food Service Equipment

The budget includes \$350,000 from the General Fund in FY 2023 to replace food service equipment at ASDB Schools.

Department of Emergency and Military Affairs Tucson Readiness Center

The budget includes \$1,800,000 from the General Fund in FY 2023 to fund additional construction costs at the Department of Emergency and Military Affairs (DEMA) Tucson Readiness Center.

The FY 2019 budget included \$3,759,000 from the General Fund for the state's portion of the cost associated with the construction of a Readiness Center in Tucson.

Readiness Centers serve as the home base and training center for units in the Arizona National Guard. These facilities house soldiers during drills and provide storage for equipment and weapons between exercises.

**Department of Emergency and Military Affairs
Fire Suppression Projects**

The budget includes \$1,151,100 from the General Fund in FY 2023 for fire suppression systems projects at DEMA readiness centers. This amount funds a 50% match for federal funds for the project.

Arizona Exposition and State Fair Board Capital Improvements

The budget includes \$1,000,000 from the Arizona Exposition and State Fair Fund in FY 2023 to the State Fair Board for capital improvements.

Game and Fish Dam Maintenance

The budget includes \$150,000 from the Game and Fish Capital Improvement Fund in FY 2023 to the Arizona Game and Fish Department (AGFD) for dam maintenance.

The department owns and operates 38 dams throughout the state. The department plans to use the funds for vegetation removal, flood warning system maintenance, dam safety regulation compliance, and structural repairs.

Game and Fish Property Maintenance

The budget includes \$300,000 from the Game and Fish Capital Improvement Fund in FY 2023 to the AGFD for property maintenance.

The department owns 60 properties throughout the state. This funding will be used to supplement base funding for operation and maintenance projects.

Judiciary Air Handler and Sewer Replacement

The budget includes \$3,200,000 from the General Fund in FY 2023 to replace air handlers and sewers at the Arizona Supreme Court.

**Department of Juvenile Corrections
Replumbing**

The budget includes \$400,000 from the General Fund in FY 2023 for replumbing-at the Department of Juvenile Corrections (DJC) Adobe Mountain School facility.

Legislative Council Historic Capitol Improvements

The budget includes \$5,700,000 from the General Fund in FY 2023 for capital projects at the Historic Capitol building at 1700 West Washington Street.

A budget footnote exempts this appropriation from JCCR review.

The FY 2022 budget included \$11,900,000 for addition capital improvements to the Historic Capitol. This amount included \$11,500,000 from the General Fund and

\$400,000 from the Legislative, Executive, and Judicial Public Buildings Land Fund.

**Department of Liquor Licenses and Control
Space Reconfiguration**

The budget include \$3,500,000 from the Liquor Licenses Fund in FY 2023 for space reconfiguration at the department's headquarters at 800 West Washington Street.

Arizona State Parks Board Capital Improvements

The budget includes \$2,742,800 from the State Parks Revenue Fund in FY 2023 to the State Parks Board (ASPB) for capital improvements. This amount funds 100% of the ASPB agency specific building renewal formula.

Statewide capital improvements may include new capital projects such as camping sites, restroom buildings, shop buildings, or outdoor areas (ramadas, tables and grills). In addition, ASPB may use the funding for major maintenance and building renewal which could include projects for water/wastewater facilities, leach fields, septic tanks, roofing repairs and structural stabilization.

In addition, the budget adds a new footnote requiring the Arizona State Parks Board to report to the JCCR and OSPB if the board revises the plan for any building renewal project because it receives Land and Water Conservation Grant funding.

Arizona State Parks Board Dead Horse Amphitheater

The budget includes \$210,000 from the State Parks Revenue Fund in FY 2023 to the ASPB to continue construction of a new Amphitheater at Dead Horse Ranch State Park. This amount funds cost increases for work already begun at the park and will go toward completing a project initially started in FY 2022 when ASPB was appropriated \$150,000 for the project.

ASPB Rockin' River Ranch

The budget includes \$336,800 from the State Parks Revenue Fund in FY 2023 to ASPB for the further development of the new Rockin' River Ranch State Park in Camp Verde. This amount funds cost increases for work initiated in FY 2022 when the ASPB was appropriated \$750,000 to construct a primitive day use area.

ASPB Jerome Fire Suppression

The budget includes \$1,540,000 from the State Parks Revenue Fund in FY 2023 to ASPB to replace the fire suppression system at Jerome State Park.

ASPB Southern Construction Services Relocation

The budget includes \$2,000,000 from the State Parks Revenue Fund in FY 2023 to ASPB for the relocation of

Southern Construction Services to Catalina State Park from Roper Lake State Park. Southern Construction Services serves as ASPB main construction and equipment location for the parks in Southern Arizona.

ASPB Tonto Natural Bridge Historic Building Renovation

The budget includes \$3,500,000 from the State Parks Revenue Fund in FY 2023 to ASPB to renovate the lodge at Tonto Natural Bridge State Park.

ASPB Tombstone Courthouse Renovation

The budget includes \$2,008,500 from the State Parks Revenue Fund in FY 2023 to ASPB to renovate Tombstone Courthouse.

ASPB Rockin' River Ranch

The budget includes \$1,750,000 from the State Parks Revenue Fund in FY 2023 to ASPB for electrical and plumbing renovations at the new Rockin' River Ranch State Park in Camp Verde.

ASPB Catalina Entrance Bridge

The budget includes \$1,500,000 from the State Parks Revenue Fund in FY 2023 to ASPB for the construction of a bridge in Catalina State Park. ASPB will work with ADOT on the project.

The FY 2023 budget also appropriates \$5,813,000 in FY 2024 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Statewide Campground Improvements

The budget includes \$4,100,000 from the State Parks Revenue Fund in FY 2023 to ASPB for statewide campground improvements.

The FY 2023 budget also appropriates \$4,100,000 in both FY 2024 and FY 2025 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Statewide Sunshade Structures

The budget includes \$2,233,333 from the State Parks Revenue Fund in FY 2023 to ASPB for the construction of shade structures statewide. These structures will provide shade to park visitors and electricity to the parks.

The FY 2023 budget also appropriates \$2,233,333 in both FY 2024 and FY 2025 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Statewide Water Conservation

The budget includes \$1,339,000 from the State Parks Revenue Fund in FY 2023 to ASPB for the statewide

installation of low-flow fixtures and other water conservation efforts.

The FY 2023 budget also appropriates \$1,339,000 in both FY 2024 and FY 2025 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Smartphone Application

The budget includes \$535,600 from the State Parks Revenue Fund in FY 2023 to ASPB for the development of a smartphone app for use by state park visitors.

The budget includes a footnote requiring ASPB, prior to the expenditures of monies for the smartphone application, to have the ADOA Arizona Strategic Enterprise Technology (ASET) Office to submit an expenditure plan for review by the JLBC. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with ASET's prior reports to the JLBC for Automation Project Fund projects.

Arizona Pioneers' Home Capital Improvements

The budget includes \$396,500 from the from the Pioneers' State Charitable Fund in FY 2023 to the Arizona Pioneers' Home for capital improvement projects.

The Pioneers' home was built in 1911 and has continued capital improvement needs including replacing aging windows and equipment.

Department of Public Safety Remote Officer Housing

The budget includes \$9,750,000 from the from the General Fund in FY 2023 to the Department of Public Safety (DPS) for remote officer housing statewide. The amount will replace 25 housing units and purchase 5 additional housing units.

A budget footnote makes this appropriation non-lapsing through FY 2025.

Department of Public Safety Evidentiary Vehicle Storage

The budget includes \$1,016,400 from the General Fund in FY 2023 to DPS to construct a new evidentiary vehicle storage facility.

ADOA PASSTHROUGH TO LOCAL

ADOA Dark Sky Discovery Center

The budget includes \$2,500,000 from the General Fund in FY 2023 to ADOA to distribute to a nonprofit organization that is designated as an international dark sky discovery center and that is focused on dark sky preservation in Arizona.

ADOA Northern Arizona Observatory

The budget includes \$5,000,000 from the General Fund in FY 2023 to ADOA to distribute to a nonprofit organization that operates an astronomy center and observatory that is open to the public in northern Arizona.

ADOA Homeless Veterans Housing

The budget includes \$2,386,600 from the General Fund in FY 2023 to ADOA to distribute to a nonprofit organization in northern Arizona that partners with the US Department of Veterans Affairs to provide affordable housing units to homeless and at-risk veterans on a historical military campus.

ADOA PASSTHROUGH TO TRIBES

ADOA Lukachukai Veterans' Multipurpose Complex

The budget includes \$500,000 from the General Fund in FY 2023 to ADOA to distribute to the Navajo Nation for costs associated with planning, designing and constructing the Lukachukai Veterans' Multipurpose Complex.

ADOA Little Colorado River Visitor Center

The budget includes \$1,000,000 from the General Fund in FY 2023 to ADOA to distribute to Navajo County to construct a Little Colorado River visitor center.

ADOA Teesto Multipurpose Community Center

The budget includes \$1,000,000 from the General Fund in FY 2023 to ADOA to distribute to Navajo Nation for costs associated with site preparation for the Teesto multipurpose community center.

ADOA Dilkon Center Improvements

The budget includes \$3,000,000 from the General Fund in FY 2023 to ADOA to distribute to Navajo Nation for costs associated with improvements to the Dilkon center.

ADOA Kayenta Judicial Complex

The budget includes \$2,000,000 from the General Fund in FY 2023 to ADOA to distribute to the Navajo Nation for costs associated with improvements to the Kayenta judicial complex.

Other Issues

Statutory Changes

The Management of State Buildings BRB makes the following statutory changes:

- As session law, continues to set the FY 2022 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA)

at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space.

- As permanent law, allow ADOA to approve whole or partial rent exemptions without recommendation from the Joint Committee on Capital Review. ADOA is required to report each proposed rent exemption to the Joint Legislative Budget Committee Staff before approval.
- As permanent law, require all agencies to provide quarterly reports to the Joint Legislative Budget Committee Staff and the Governor’s Office of Strategic Planning and Budgeting on the status of all capital projects and capital expenditures through the life of a project. Reports are bases on spending of appropriated funding.
- As session law, deposit direct sale proceeds from the properties at 519 Beale Street in Kingman and 1919 West Jefferson in Phoenix, into the Capitol Mall Consolidation Fund.
- As permanent law, amend A.R.S. § 41-791.01 to provide the Department of Administration the authority for the management of buildings within the Capitol Mall complex once the certificates of participation are retired and the buildings released as collateral. This excludes the following certificates related to State prisons which are not within the Capitol Mall complex: COP2016 (Kingman Prison) and COP2017 (4,000 Prison Beds, Prison Wastewater). Requires ADOA submit in its annual budget request any costs to COSF associated with the retirement of certificates of participation.

Appropriations Non-Lapsing Status

The budget extends the non-lapsing status of the following appropriations:

- Extends the lapsing date of the \$16,000,000 FY 2021 appropriation to ADOA for Building Renewal to June 30, 2023.

Footnote Changes

The budget deletes a standard Capital Outlay Bill footnote requiring that unused building renewal or capital appropriations revert after 2 fiscal years (which allowed expenditures for the budget year and one additional year). As a result, building renewal and capital appropriations would be subject to A.R.S § 35-190D which states these appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, unless the appropriation is available during the entire fiscal year without an expenditure from or encumbrance on the appropriation.

In addition, the budget deletes a standard Capital Outlay Bill footnote requiring the JCCR to review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. A.R.S § 41-1252 already requires review of all building renewal appropriations, capital appropriations and capital projects that have an estimated total cost of more than \$250,000.

Arizona State Parks Board 3-Year Capital Spending Plan

As part of the FY 2023 Capital Outlay Bill, \$19.1 million was appropriated from the State Parks Revenue Fund to the Arizona State Parks Board (ASPB) in FY 2024 for 7 capital projects, and \$19.1 million was appropriated from the State Parks Revenue Fund to ASPB in FY 2025 for 6 capital projects. *Table 1* shows a list of ASPB's planned capital projects through FY 2025.

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

Table 1

List of Proposed FY 2024 - FY 2025 Parks Capital Projects

	<u>FY 24</u>	<u>FY 25</u>
Catalina State Park Main Entrance Bridge	5,813,000	
Statewide Campground Improvements	4,100,000	4,100,000
Statewide Sunshade Structures	2,233,300	2,233,300
Statewide Water Conservation	1,339,000	1,339,000
Yuma Territorial Prison Park Historic Building Renovation	750,000	5,945,000
Riordan Mansion Park Historic Building Renovation	2,900,000	
Oracle State Park Historic Building Renovation	2,008,500	
Red Rock State Park Historic Building Renovation		4,000,000
San Rafael State Park Historic Building Renovation		1,500,000
Total	\$19,143,800	\$19,117,300

Rent Adjustments

In FY 2023, state building rent payments total \$31,186,000 which is estimated to be paid from the following fund sources: \$16,933,000 from the General Fund, \$9,437,900 from Other Appropriated Funds, and \$3,816,000 from Non-Appropriated Funds. In FY 2023, state building rent payments will decrease by \$(1,698,900) in total, which consists of the following fund sources: \$(1,882,700) from the General Fund, \$(43,900)

from Other Appropriated Funds, and \$227,700 from Non-Appropriated Funds.

The change in rent payments is primarily due to agencies moving within the Capitol Mall.

The budget includes a Summary of Rent Charges as of July 2022, which reflects updated space utilization amounts when applying the current rental rates of state building space (Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft.) *(Please see Summary of Rent Charges for additional information.)*

The FY 2023 Management of State Buildings BRB as permanent law allows ADOA to approve agency rent exemptions without JCCR review upon report to the JLBC Staff. In addition, the BRB requires ADOA to report in its annual budget request any COSF cost associated with adding retired Capitol Mall Certificate of Participation buildings to COSF.

SUMMARY OF RENT CHARGES 1/ 2/3/

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Acupuncture Board of Examiners												
1740 W Adams	-	13,100	-	13,100	-	12,900	-	12,900	-	(200)	-	(200)
Administration, AZ Department of												
1400 W Washington	-	95,100	-	95,100	-	273,000	-	273,000	-	177,900	-	177,900
1537 W Jackson	-	118,200	-	118,200	-	116,200	-	116,200	-	(2,000)	-	(2,000)
1616 W Adams	-	105,600	-	105,600	-	-	-	-	-	(105,600)	-	(105,600)
1802 W Jackson	-	24,000	59,500	83,500	-	24,000	59,600	83,600	-	-	100	100
1840 W Jackson	-	95,600	-	95,600	-	95,600	-	95,600	-	-	-	-
1850 W Jackson	-	60,600	-	60,600	-	60,600	-	60,600	-	-	-	-
1700 W Washington	-	159,000	-	159,000	-	256,200	-	256,200	-	97,200	-	97,200
1740 W Adams	-	43,700	-	43,700	-	36,200	-	36,200	-	(7,500)	-	(7,500)
1919 W Jefferson	-	18,300	-	18,300	-	-	-	-	-	(18,300)	-	(18,300)
1801 W Madison	-	29,300	-	29,300	-	29,200	-	29,200	-	(100)	-	(100)
1805 W Madison	-	33,800	-	33,800	-	33,800	-	33,800	-	-	-	-
400 W Congress, Tucson	-	65,100	-	65,100	-	65,100	-	65,100	-	-	-	-
402 W Congress, Tucson	-	77,300	-	77,300	-	77,300	-	77,300	-	-	-	-
416 W Congress, Tucson	-	3,800	-	3,800	-	3,800	-	3,800	-	-	-	-
Subtotal - AZ Dept of Administration	-	929,400	59,500	988,900	-	1,071,000	59,600	1,130,600	-	141,600	100	141,700
Administrative Hearings, Office of												
1740 W Adams	86,400	-	110,000	196,400	86,300	-	109,900	196,200	(100)	-	(100)	(200)
African American Affairs, AZ Commission of												
1700 W Washington	8,100	-	-	8,100	9,600	-	-	9,600	1,500	-	-	1,500
Agriculture, AZ Department of												
1688 W Adams	299,700	-	337,900	637,600	-	-	-	-	(299,700)	-	(337,900)	(637,600)
400 W Congress, Tucson	48,400	-	7,200	55,600	48,400	-	7,200	55,600	-	-	-	-
Subtotal - AZ Dept of Agriculture	348,100	-	345,100	693,200	48,400	-	7,200	55,600	(299,700)	-	(337,900)	(637,600)
AZ Health Care Cost Containment System												
801 E Jefferson	-	-	-	-	687,100	-	687,200	1,374,300	687,100	-	687,200	1,374,300
Arts, AZ Commission on the												
417 W Roosevelt	-	-	67,900	67,900	-	-	68,000	68,000	-	-	100	100
Attorney General - Department of Law												
400 W Congress, Tucson	-	-	131,500	131,500	-	-	131,500	131,500	-	-	-	-
402 W Congress, Tucson	170,500	55,400	200,300	426,200	176,800	57,500	207,800	442,100	6,300	2,100	7,500	15,900
416 W Congress, Tucson	-	-	157,700	157,700	-	-	157,700	157,700	-	-	-	-
Capitol Center	641,000	1,135,300	54,900	1,831,200	641,000	1,135,400	54,900	1,831,300	-	100	-	100
Subtotal - Attorney General - Dept of Law	811,500	1,190,700	544,400	2,546,600	817,800	1,192,900	551,900	2,562,600	6,300	2,200	7,500	16,000
Barbers, Board of												
1740 W Adams	-	25,100	-	25,100	-	117,100	-	117,100	-	92,000	-	92,000
Behavioral Health Examiners, Board of												
1740 W Adams	-	72,400	-	72,400	-	77,000	-	77,000	-	4,600	-	4,600
Charter Schools, State Board for												
1616 W Adams	96,300	-	-	96,300	-	-	-	-	(96,300)	-	-	(96,300)
1700 W Washington	-	-	-	-	100,900	-	-	100,900	100,900	-	-	100,900
Child Safety, Department of												
400 W Congress, Tucson	28,900	-	-	28,900	28,900	-	-	28,900	-	-	-	-
Capitol Center	291,300	-	-	291,300	291,300	-	-	291,300	-	-	-	-
Subtotal - Department of Child Safety	320,200	-	-	320,200	320,200	-	-	320,200	-	-	-	-
Chiropractic Examiners, State Board of												
1740 W Adams	-	26,900	-	26,900	-	25,800	-	25,800	-	(1,100)	-	(1,100)
Citizens Clean Elections Commission												
1616 W Adams	-	-	74,200	74,200	-	-	-	-	-	-	(74,200)	(74,200)
Contractors, Registrar of												

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
400 W Congress, Tucson	-	49,300	2,600	51,900	-	-	-	-	-	(49,300)	(2,600)	(51,900)
1700 W Washington	-	367,300	19,300	386,600	-	373,800	19,700	393,500	-	6,500	400	6,900
Subtotal - Registrar of Contractors	-	416,600	21,900	438,500	-	373,800	19,700	393,500	-	(42,800)	(2,200)	(45,000)
Corporation Commission												
1200 W Washington	-	721,600	-	721,600	-	721,600	-	721,600	-	-	-	-
1300 W Washington	-	962,900	-	962,900	-	963,000	-	963,000	-	100	-	100
400 W Congress, Tucson	4,600	68,000	4,600	77,200	4,600	68,000	4,600	77,200	-	-	-	-
Subtotal - Corporation Commission	4,600	1,752,500	4,600	1,761,700	4,600	1,752,600	4,600	1,761,800	-	100	-	100
Corrections, State Department of												
1601 W Jefferson	1,024,600	-	-	1,024,600	-	-	-	-	(1,024,600)	-	-	(1,024,600)
1645 W Jefferson	913,100	-	-	913,100	-	-	-	-	(913,100)	-	-	(913,100)
1831 W Jefferson	363,700	-	-	363,700	363,600	-	-	363,600	(100)	-	-	(100)
701 E Jefferson	-	-	-	-	1,362,200	-	-	1,362,200	1,362,200	-	-	1,362,200
Subtotal - State Dept of Corrections	2,301,400	-	-	2,301,400	1,725,800	-	-	1,725,800	(575,600)	-	-	(575,600)
Cosmetology, Board of												
1740 W Adams	-	116,200	-	116,200	-	-	-	-	-	(116,200)	-	(116,200)
Dental Examiners, State Board of												
1740 W Adams	-	56,100	-	56,100	-	56,000	-	56,000	-	(100)	-	(100)
Economic Security, Department of												
1400 W Washington	164,300	328,400	164,300	657,000	154,500	308,800	154,500	617,800	(9,800)	(19,600)	(9,800)	(39,200)
1700 W Washington	6,500	-	19,500	26,000	4,000	-	12,200	16,200	(2,500)	-	(7,300)	(9,800)
1789 W Jefferson (DES West)	1,888,300	464,400	742,900	3,095,600	1,888,300	464,400	742,900	3,095,600	-	-	-	-
400 W Congress, Tucson	129,900	311,800	207,800	649,500	129,900	311,800	207,800	649,500	-	-	-	-
DES Group Homes	190,100	273,300	-	463,400	190,100	273,300	-	463,400	-	-	-	-
Capitol Center	144,900	32,600	26,500	204,000	144,800	32,600	26,500	203,900	(100)	-	-	(100)
Subtotal - Department of Economic Security	2,524,000	1,410,500	1,161,000	5,095,500	2,511,600	1,390,900	1,143,900	5,046,400	(12,400)	(19,600)	(17,100)	(49,100)
Education, Department of												
1535 W Jefferson	474,400	131,800	711,700	1,317,900	489,900	136,100	734,900	1,360,900	15,500	4,300	23,200	43,000
416 W Congress, Tucson	-	10,400	105,700	116,100	-	10,400	105,600	116,000	-	-	(100)	(100)
Subtotal - Department of Education	474,400	142,200	817,400	1,434,000	489,900	146,500	840,500	1,476,900	15,500	4,300	23,100	42,900
Education, State Board of												
1535 W Jefferson	42,900	-	-	42,900	-	-	-	-	(42,900)	-	-	(42,900)
1700 W Washington	74,100	-	-	74,100	74,100	-	-	74,100	-	-	-	-
Subtotal - State Board of Education	117,000	-	-	117,000	74,100	-	-	74,100	(42,900)	-	-	(42,900)
Emergency and Military Affairs, Department of												
400 W Congress St	8,000	-	-	8,000	8,000	-	-	8,000	-	-	-	-
Environmental Quality, Department of												
400 W Congress, Tucson	-	162,000	-	162,000	-	162,000	-	162,000	-	-	-	-
416 W Congress, Tucson	-	7,200	-	7,200	-	7,200	-	7,200	-	-	-	-
Subtotal - Dept. of Environmental Quality	-	169,200	-	169,200	-	169,200	-	169,200	-	-	-	-
Equalization, State Board of												
400 W Congress, Tucson	27,100	-	-	27,100	27,100	-	-	27,100	-	-	-	-
416 W Congress, Tucson	2,000	-	-	2,000	2,000	-	-	2,000	-	-	-	-
Subtotal - Board of Equalization	29,100	-	-	29,100	29,100	-	-	29,100	-	-	-	-
Executive Clemency, Board of												
1645 W Jefferson	117,700	-	-	117,700	-	-	-	-	(117,700)	-	-	(117,700)
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	19,700	-	19,700	-	19,400	-	19,400	-	(300)	-	(300)
Gaming, Department of												
400 W Congress, Tucson	-	4,300	-	4,300	-	4,300	-	4,300	-	-	-	-
Governor, Office of the												
1700 W Washington	855,100	-	-	855,100	812,700	-	-	812,700	(42,400)	-	-	(42,400)
1700 W Washington (Office of Highway Safety)	-	-	104,300	104,300	-	-	103,700	103,700	-	-	(600)	(600)
400 W Congress, Tucson	41,000	-	-	41,000	41,000	-	-	41,000	-	-	-	-
Subtotal - Office of the Governor	896,100	-	104,300	1,000,400	853,700	-	103,700	957,400	(42,400)	-	(600)	(43,000)
Gov's Ofc of Strategic Planning & Budgeting												

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	178,500	-	-	178,500	177,300	-	-	177,300	(1,200)	-	-	(1,200)
Health Services, Department of												
1740 W Adams	4,800	-	-	4,800	4,800	-	-	4,800	-	-	-	-
1818 W Adams	286,400	-	-	286,400	-	-	-	-	(286,400)	-	-	(286,400)
400 W Congress, Tucson	183,600	-	-	183,600	183,700	-	-	183,700	100	-	-	100
402 W Congress, Tucson	4,500	-	-	4,500	4,500	-	-	4,500	-	-	-	-
Subtotal - Department of Health Services	479,300	-	-	479,300	193,000	-	-	193,000	(286,300)	-	-	(286,300)
Homeland Security, AZ Dept of												
1700 W Washington	-	-	181,900	181,900	-	-	180,700	180,700	-	-	(1,200)	(1,200)
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	3,800	-	3,800	-	3,800	-	3,800	-	-	-	-
Insurance and Financial Institutions, Department of												
1919 W Jefferson	-	-	5,400	5,400	-	-	-	-	-	-	(5,400)	(5,400)
Judiciary - Court of Appeals												
400 W Congress, Tucson	520,100	-	-	520,100	520,200	-	-	520,200	100	-	-	100
Judiciary - Supreme Court												
1501 W Washington	3,906,900	-	-	3,906,900	3,907,000	-	-	3,907,000	100	-	-	100
400 W Congress, Tucson	114,500	-	-	114,500	114,500	-	-	114,500	-	-	-	-
Subtotal - Supreme Court	4,021,400	-	-	4,021,400	4,021,500	-	-	4,021,500	100	-	-	100
Subtotal - Judiciary	4,541,500	-	-	4,541,500	4,541,700	-	-	4,541,700	200	-	-	200
Juvenile Corrections, Department of												
400 W Congress, Tucson	19,200	-	-	19,200	19,200	-	-	19,200	-	-	-	-
1624 W Adams	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Department of Juvenile Corrections	19,200	-	-	19,200	19,200	-	-	19,200	-	-	-	-
Land Department, State												
1616 W Adams	1,065,100	-	-	1,065,100	-	-	-	-	(1,065,100)	-	-	(1,065,100)
Liquor Licenses and Control, Department of												
402 W Congress, Tucson	-	16,000	-	16,000	-	-	-	-	-	(16,000)	-	(16,000)
400 W Congress	-	-	-	-	-	51,900	-	51,900	-	51,900	-	51,900
Massage Therapy, Board of												
1740 W Adams	-	29,100	-	29,100	-	28,700	-	28,700	-	(400)	-	(400)
Medical Board, AZ												
1740 W Adams	-	211,400	-	211,400	-	212,300	-	212,300	-	900	-	900
Mine Inspector, State												
1700 W Washington	102,600	-	-	102,600	101,900	-	-	101,900	(700)	-	-	(700)
Naturopathic Physicians Medical Board												
1740 W Adams	-	11,000	-	11,000	-	10,900	-	10,900	-	(100)	-	(100)
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	13,700	-	-	13,700	13,700	-	-	13,700	-	-	-	-
Nursing, State Board of												
1740 W Adams	-	190,800	-	190,800	-	190,500	-	190,500	-	(300)	-	(300)
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	24,000	-	24,000	-	23,900	-	23,900	-	(100)	-	(100)
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	13,100	-	13,100	-	12,900	-	12,900	-	(200)	-	(200)
Opticians, State Board of Dispensing												
1740 W Adams	-	12,100	-	12,100	-	12,000	-	12,000	-	(100)	-	(100)
Optometry, State Board of												
1740 W Adams	-	14,000	-	14,000	-	13,800	-	13,800	-	(200)	-	(200)
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	39,600	-	39,600	-	39,600	-	39,600	-	-	-	-
Parks Board, AZ State												
1100 W Washington	-	-	65,200	65,200	-	-	-	-	-	-	(65,200)	(65,200)
Personnel Board												

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1740 W Adams	-	13,000	-	13,000	-	12,800	-	12,800	-	(200)	-	(200)
Pharmacy, AZ State Board of												
1616 W Adams	-	161,000	-	161,000	-	-	-	-	-	(161,000)	-	(161,000)
Physical Therapy, Board of												
1740 W Adams	-	22,500	-	22,500	-	22,400	-	22,400	-	(100)	-	(100)
Podiatry Examiners, State Board of												
1740 W Adams	-	11,000	-	11,000	-	10,900	-	10,900	-	(100)	-	(100)
Postsecondary Education, Commission												
1740 W Adams	-	13,900	-	13,900	-	-	-	-	-	(13,900)	-	(13,900)
Private Postsecondary Education, State Board for												
1740 W Adams	-	10,300	2,800	13,100	-	10,300	2,700	13,000	-	-	(100)	(100)
Psychologist Examiners, State Board of												
1740 W Adams	-	22,600	-	22,600	-	22,300	-	22,300	-	(300)	-	(300)
Public Safety, Department of												
14 N 18th Avenue	-	42,400	-	42,400	-	42,400	-	42,400	-	-	-	-
1700 W Washington	67,600	17,600	18,600	103,800	67,100	17,500	18,500	103,100	(500)	(100)	(100)	(700)
1740 W Adams St	-	-	-	-	-	30,600	-	30,600	-	30,600	-	30,600
400 W Congress, Tucson	14,800	3,800	4,100	22,700	14,800	3,800	4,100	22,700	-	-	-	-
Subtotal - Department of Public Safety	82,400	63,800	22,700	168,900	81,900	94,300	22,600	198,800	(500)	30,500	(100)	29,900
Regents, Board of												
1740 W Adams	-	-	-	-	-	-	13,800	13,800	-	-	13,800	13,800
Respiratory Care Examiners, Board of												
1740 W Adams	-	17,600	-	17,600	-	17,400	-	17,400	-	(200)	-	(200)
Revenue, Department of												
402 W Congress, Tucson	97,000	145,600	-	242,600	97,000	145,600	-	242,600	-	-	-	-
1600 W Monroe	1,242,500	1,863,700	-	3,106,200	1,241,400	1,862,100	-	3,103,500	(1,100)	(1,600)	-	(2,700)
Subtotal - Department of Revenue	1,339,500	2,009,300	-	3,348,800	1,338,400	2,007,700	-	3,346,100	(1,100)	(1,600)	-	(2,700)
School Facilities Board												
1700 W Washington	148,600	-	-	148,600	-	-	-	-	(148,600)	-	-	(148,600)
Secretary of State - Dept of State												
1700 W Washington	502,700	-	-	502,700	499,400	-	-	499,400	(3,300)	-	-	(3,300)
400 W Congress, Tucson	8,300	-	-	8,300	8,200	-	-	8,200	(100)	-	-	(100)
Polly Rosenbaum Building	2,139,600	-	-	2,139,600	2,139,500	-	-	2,139,500	(100)	-	-	(100)
Subtotal - Secretary of State - Dept of State	2,650,600	-	-	2,650,600	2,647,100	-	-	2,647,100	(3,500)	-	-	(3,500)
Treasurer, State												
1700 W Washington	-	193,000	-	193,000	-	196,100	-	196,100	-	3,100	-	3,100
Tribal Relations, Governor's Office on												
1700 W Washington	18,000	-	-	18,000	17,900	-	-	17,900	(100)	-	-	(100)
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	34,000	-	34,000	-	34,000	-	34,000	-	-	-	-
Water Resources, Department of												
1802 W Jackson	33,800	-	-	33,800	33,800	-	-	33,800	-	-	-	-
GRAND TOTAL	18,815,700	9,481,800	3,588,300	31,885,800	16,933,000	9,437,900	3,816,000	30,186,900	(1,882,700)	(43,900)	227,700	(1,698,900)

1/ Reflects rental charges to agencies as of July 2022 with rental rates enacted by Laws 2022, Chapter 319, Section 4, with an office square footage rental rate of \$17.87 and storage square footage rental rate of \$6.43.

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

3/ The Department of Administration may approve whole or partial rent exemptions in FY 2023 without recommendation from the Joint Committee on Capital Review. The department shall report to the Joint Legislative Budget Committee Staff on each proposed agency rent exemption before approving the exemption.

Capital Outlay

Arizona Department of Transportation Building System

FY 2023
APPROVED

BUILDING RENEWAL

ADOT Building Renewal ^{1/}	18,607,200
SUBTOTAL	18,607,200

INDIVIDUAL PROJECTS ^{2/}

Aviation Fund Projects

Airport Planning and Development ^{3/4/5/}	27,100,000
Flight Education Complex ^{6/}	600,000
Airport Improvement Projects ^{6/}	20,000,000

State Highway Fund Projects

Statewide Highway Improvements

Controlled Access Highways ^{3/7/8/9/10/11/}	137,671,000
Debt Service ^{3/7/8/9/10/11/}	138,482,000
Statewide Highway Construction ^{3/7/8/9/10/11/}	194,220,000

ADOT Facilities

206 Annex Building	9,309,300
Liquid Brine Tanks Inflation	400,000
Vehicle Fueling Facilities	3,026,900
Vehicle Fueling Facilities Inflation	371,200
Superior De-Icer Storage Barn	1,200,000
Tucson Signal Equipment Repair Shop	2,124,000
Wickenburg Maintenance Facilities Inflation	2,985,000

Individual Transportation Projects

Flagstaff Downtown Connection Center ^{3/8/12/13/}	6,000,000
Former SR 279 Improvements ^{3/8/12/13/}	6,142,800
Gila Bend Sentinel Exit Lighting ^{3/8/12/13/}	568,000
I-10 Widening, Phoenix to Casa Grande ^{7/14/}	400,000,000
I-10 Widening, SR 85 to Citrus Road ^{3/8/12/13/15/}	64,200,000
Jackrabbit Trail Improvements ^{3/8/12/13/16/}	20,080,000
Lake Havasu City Bridge Study ^{3/8/12/13/}	200,000
Loop 101 Screen Wall at 16 th Street ^{3/8/12/13/}	7,250,000
Loop 101 Screen Wall at 51 st /59 th Avenue ^{3/8/12/13/}	9,514,000
Loop 303 Design (I-17 Interchange) ^{3/8/12/13/}	19,000,000
Loop 303 Design (I-17 to Lake Pleasant Parkway) ^{3/8/12/13/}	4,000,000
Pavement Rehabilitation, Greater Arizona ^{3/13/}	31,500,000
SMART Fund Deposit ^{6/}	50,000,000
SR 24 Right-of-Way ^{3/8/12/13/}	15,000,000
SR 69 Repavement, Prescott Valley ^{3/13/}	1,645,000
SR 69 and SR 169 Roundabout ^{3/8/12/13/}	1,500,000
SR 74 and Lake Pleasant Parkway Traffic Interchange ^{3/8/12/13/}	5,000,000
SR 79 and Hunt Highway Intersection Assessment ^{3/8/12/13/}	100,000
SR 87 and Skousen Road Intersection Assessment ^{3/8/12/13/}	100,000
SR 89 and SR 89A Traffic Interchange ^{3/8/12/13/}	3,000,000
SR 90 Improvements, near Fort Huachuca ^{3/13/}	3,710,000
SR 90 Pavement Rehabilitation ^{3/8/12/13/}	39,200,000
SR 95 Repavement, Mohave County ^{3/13/}	19,534,600
SR 186/State Business Route 10, Willcox ^{3/13/}	1,464,100
SR 238 Design ^{4/10/11/12/}	800,000
SR 347 and Riggs Road Design, Study, and Construction ^{3/13/}	11,375,000
SR 347 Design ^{3/8/12/13/}	19,000,000
SR 389 and Arizona Avenue Intersection Assessment ^{3/8/12/13/}	100,000
Tier 2 Study for I-11 ^{3/8/12/13/}	25,000,000
Tier 2 Study for North-South Corridor ^{3/8/12/13/}	15,000,000
Tier 2 Study for Sonoran Corridor ^{3/8/12/13/}	14,000,000
US 60 Pavement Rehabilitation ^{3/8/12/13/}	38,482,000

US 95 Improvement, near Yuma Proving Grounds ^{3/13/}	3,500,000
US 191 Pavement Rehabilitation (Armory Road to East Safford) ^{3/8/12/13/}	16,330,000
US 191 Pavement Rehabilitation (MP 163 to MP 173) ^{3/8/12/13/}	22,152,000
General Fund Projects	
Cesar Chavez Boulevard ^{17/}	33,000,000
Ganado School Loop Road ^{8/}	1,000,000
Loop 101 Slip Ramp, Tolleson ^{8/}	25,000,000
N35 Road ^{8/}	6,000,000
N9402 Road ^{8/}	10,000,000
Ruby Road Bridge, near Nogales ^{8/}	3,000,000
US 89 Traffic Circle ^{8/}	5,000,000
SUBTOTAL	1,494,936,900
TOTAL - ALL PROJECTS ^{18/19/}	1,513,544,100

FUND SOURCES

General Fund	83,000,000
<u>Other Appropriated Funds</u>	
State Aviation Fund	48,167,800
State Highway Fund	1,382,376,300
SUBTOTAL - Other Appropriated Funds	1,430,544,100
SUBTOTAL - Appropriated Funds	1,513,544,100
Other Non-Appropriated Funds	509,377,000
Federal Funds	1,125,248,000
TOTAL - ALL SOURCES	3,148,169,100

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

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2022-2023 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes. (Capital Outlay Appropriation Act footnote)
- 2/ Notwithstanding section 35-190, Arizona Revised Statutes, and Laws 2021, chapter 406, section 35, the \$50,000,000 appropriated to the department of transportation by Laws 2021, chapter 406, section 35 in fiscal year 2020-2021 to widen Interstate 10 between Phoenix and Casa Grande is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (Capital Outlay Appropriation Act footnote)
- 3/ The appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation was made has been accomplished or abandoned or the appropriations stand for a full fiscal year without an expenditure or encumbrance. (Capital Outlay Appropriation Act footnote)
- 4/ The sum of \$27,100,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2022-2023 to the department of transportation to plan, construct, develop and improve state, county, city or town airports as determined by the state transportation board. Any balances and collections in the state aviation fund that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department of transportation in fiscal year 2022-2023 for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 5/ On or before December 31, 2022, the department of transportation shall report to the joint legislative budget committee staff on the status of all aviation grant awards and aviation grant distributions. The report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)
- 6/ The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (Capital Outlay Appropriation Act footnote)

- 7/ The sum of \$470,373,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2022-2023 to the department of transportation to plan and construct state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, to acquire rights-of-way and to provide for the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the state highway fund that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 8/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriations made in subsection A of this section are not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 9/ On or before November 1, 2022, the department of transportation shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall be in the same format as in the prior year unless the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting have approved modifications to the format. (Capital Outlay Appropriation Act footnote)
- 10/ On or before November 1, 2022, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2023-2024 and the estimated debt service payment amount for each of fiscal years 2023-2024, 2024-2025, 2025-2026 and 2026-2027 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This report shall include state highway fund statewide construction bonds, Arizona highway user revenue fund bonds, Maricopa association of governments and Pima association of governments controlled access bonds, Maricopa regional area road fund bonds and grant anticipation notes and is intended to be comparable to the information in the fiscal year 2021-2022 appropriations report. (Capital Outlay Appropriation Act footnote)
- 11/ On or before November 1, 2022, the department of transportation shall report capital outlay information for fiscal years 2021-2022, 2022-2023 and 2023-2024 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This information shall appear in the same format as tables two, three and six, as found in the fiscal year 2021-2022 appropriations report. (Capital Outlay Appropriation Act footnote)
- 12/ Within thirty days after the last day of each calendar quarter, the department shall report to the joint legislative budget committee staff the projected cost and status of the projects for the appropriations made in subsection A of this section. The report shall include any impacts to the projects due to the increase in the cost of concrete. (Capital Outlay Appropriation Act footnote)
- 13/ Before transferring monies between the projects described in subsection A of this section, the department shall submit a report for review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 14/ Laws 2022, Chapter 218 as amended by Laws 2022, Chapter 309 appropriated \$400,000,000 from the State Highway Fund to widen Interstate 10 between Chandler to Casa Grande.
- 15/ The legislature intends that:
- (a) Not more than one hundred twenty days after the effective date of this section, the city of Buckeye contribute \$3,000,000 to the project described in this paragraph.
 - (b) The Maricopa association of governments collect and contribute at least \$10,000,000 from sources other than this state for the project described in this paragraph.
 - (c) The department use any federal discretionary monies awarded for the project described in this paragraph before spending the monies appropriated in this paragraph. (Capital Outlay Appropriation Act footnote)
- 16/ The legislature intends that the city of Buckeye contribute \$5,020,000 to the project described in this paragraph. (Capital Outlay Appropriation Act footnote)
- 17/ Laws 2022, Chapter 331 appropriated \$33,000,000 from the General Fund to distribute to Yuma county to construct, widen, repair and upgrade Cesar Chavez Boulevard in the city of San Luis.
- 18/ Unless otherwise specified, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 19/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.
-

Unless otherwise specified, funding for capital projects is appropriated by Laws 2022, Chapter 309 (FY 2023 Capital Outlay Bill).

Building Renewal

Building Renewal

The budget includes \$18,607,200 in FY 2023 for Building Renewal within ADOT's Building System. This amount consists of \$18,139,400 from the State Highway Fund (SHF) and \$467,800 from the State Aviation Fund (SAF). The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings. The amounts represent 100% funding of the FY 2023 highway building renewal formula and 100% funding of the FY 2023 aviation building renewal formula. The FY 2022 budget appropriated \$15,400,000 from the SHF and \$310,400 from the SAF, which represented 99.9% funding of the FY 2022 highway building renewal formula and 100% funding of the FY 2022 aviation building renewal formula.

A footnote in the Capital Outlay Bill requires ADOT to biannually report on the status of all nonhighway construction capital projects, including building renewal projects and any individual projects such as maintenance facility upgrades described in the Individual Projects section.

Aviation Fund Projects

Airport Planning and Development

The budget includes \$27,100,000 from the State Aviation Fund (SAF) in FY 2023 for ADOT's airport capital improvement program. Fund revenues are generated from the jet fuel tax and Grand Canyon Airport operational revenues. This amount corresponds to the programmed amount in the department's FY 2022-2026 Airport Capital Improvement Program (ACIP). ADOT develops an annual Five-Year ACIP to program airport planning and development monies, subject to the approval of the State Transportation Board. By aligning the airport planning and development appropriation with the programmed amount, the appropriation reflects the amount ADOT plans to award.

Flight Education Complex

The budget includes \$600,000 from SAF in FY 2023 to distribute to the Prescott regional airport for an academic flight education complex. The monies will be distributed contingent upon a local matching commitment from the Prescott airport. Laws 2022, Chapter 321 diverts

\$600,000 from the state General Fund share of TPT revenues to the State Aviation Fund for this project.

Airport Improvement Projects

The budget includes \$20,000,000 from SAF in FY 2023 for planning, development, land acquisition and facility improvements for local public airport facilities. Laws 2022, Chapter 321 diverts \$20,000,000 from the state General Fund share of TPT revenues to the State Aviation Fund for this project.

State Highway Fund Projects

Statewide Highway Improvements

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$137,671,000 from SHF in FY 2023. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%. These amounts are deposited into 4 subaccounts of the SHF: the MAG 12.6% account, MAG 2.6% account, PAG 12.6% account, and PAG 2.6% account. The 12.6% accounts refer to the statutory HURF distribution and the 2.6% accounts refer to the State Transportation Board policy amount. ADOT spends these amounts as programmed by MAG and PAG.

Debt Service

The budget includes \$138,482,000 from SHF in FY 2023 for the appropriated portion of the debt service on bonds. ADOT has approximately \$1,353,110,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2023 debt service payments. (Please see Table 5 for more information on debt service.)

Statewide Highway Construction

The budget includes \$194,220,000 from SHF in FY 2023 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$1,993,200,000 highway construction funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund (MRARF), and HURF for controlled access roads. (See the Total Highway Construction Funding discussion and Table 5 in Other Issues for additional information.) A footnote in the FY 2023 budget appropriates any additional monies in SHF above the appropriation to ADOT for highway construction.

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

Highway construction monies represent the amount that is available for the discretionary SHF to fund the State

Transportation Board's 5-Year Program after all other allocations have been made. (Please see the Summary of Highway Construction section and Table 6 for more information.)

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

As noted in the HURF distribution table (please see Table 6), an additional amount of \$343,796,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2023. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

State Highway Fund FY 2023 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$137,671,000
Debt Service	138,482,000
Highway Construction	<u>194,220,000</u>
Total	\$470,373,000

ADOT Facilities

206 Annex Building

The budget includes \$9,309,300 from SHF in FY 2023 for the renovation of the department's 206 annex building in Phoenix. The renovation will go towards structural remediation of the 2nd and 3rd floors which are currently structurally compromised. ADOT will also use \$7.5 million from SHF building renewal in FY 2022 to initiate the project.

Liquid Brine Tanks Inflation

The budget includes \$400,000 from SHF in FY 2023 for the increased cost of the construction of new liquid brine tanks and production facilities. The FY 2022 budget included \$2.0 million for the construction of new liquid brine tanks. The department has requested additional funding due to inflation. Located in Globe, Show Low, Prescott Valley, and Keams Canyon, these new 10,000-gallon storage tanks will provide salt brine for the department to de-ice highways in these areas.

Vehicle Fueling Facilities

The budget includes \$3,026,900 from SHF in FY 2023 for the replacement of vehicle fueling facilities in Tucson, St. David, Willcox, and Three Points. The existing fuel systems have reached the end of their lifecycle. These facilities provide fuel for the department's operation throughout the state.

Vehicle Fueling Facilities Inflation

The budget includes \$371,200 from SHF in FY 2023 for the increased cost of replacement of vehicle fueling facilities in Flagstaff, Holbrook, and Kingman. The FY 2022 budget included \$1.8 million for the replacement of vehicle fueling facilities. The department has requested additional funding due to inflation. The existing fuel systems have reached the end of their lifecycle. These facilities provide fuel for the department's operation throughout the state.

Superior De-Icer Storage Barn

The budget includes \$1,200,000 from SHF in FY 2023 for the replacement of a de-icer storage barn in Superior. The funding will construct a new 30 feet by 60 feet storage building for the storage of sand, cinders, and premixed chemical materials which are used during winter months for highway de-icing operations.

Tucson Signal Equipment Repair Shop

The budget includes \$2,124,000 from SHF in FY 2023 to relocate the signal equipment repair shop in Tucson. The funding will construct a new 4,500 square foot office, crew area, workshop, restroom and support spaces within an existing warehouse. The facility is used by the department for the maintenance and repair of various pieces of equipment, primarily signals and lighting.

Wickenburg Maintenance Facilities Inflation

The budget includes \$2,985,000 from SHF in FY 2023 for the increased cost of maintenance facility replacements in Wickenburg. The FY 2022 Capital Outlay Bill included \$3.2 million and extended the \$4.6 million FY 2020 appropriation for the Wickenburg maintenance facility through the end of FY 2023. The department has requested additional funding due to inflation. The Wickenburg maintenance yard includes a maintenance office, a small Department of Public Safety outpost office, an equipment shop, and 3 storage buildings. ADOT states the yard is small, outdated, susceptible to flooding, and inefficient for coordination between the supervisor and crew. The department plans to demolish and replace the structures with a 5,200 square foot office building, a 4,800 square foot 4-bay truck barn, and a 4,000 square foot 5-bay maintenance building. ADOT also plans to construct an on-site fuel facility.

Individual Transportation Projects

All of the projects listed in this section are funded from a diversion of \$925,447,500 from the state General Fund share of TPT revenues to the State Highway Fund.

Flagstaff Downtown Connection Center

The budget includes \$6,000,000 from SHF in FY 2023 to distribute to the northern Arizona intergovernmental

public transportation authority for capital costs of the Flagstaff Downtown Connection Center.

Former SR 279 Improvements

The budget includes \$6,142,800 from SHF in FY 2023 to distribute to Cottonwood to construct and improve the former State Route 279.

Gila Bend Sentinel Exit Lighting

The budget includes \$568,000 from SHF in FY 2023 to install lighting on the Sentinel exit ramp in Gila Bend.

I-10 Widening, Phoenix to Casa Grande

Laws 2022, Chapter 218 appropriated \$400,000,000 from the General Fund in FY 2023 to widen Interstate 10 between Phoenix and Casa Grande. Laws 2022, Chapter 309 subsequently revised this appropriation to be from the State Highway Fund. A footnote makes the \$50.0 million FY 2022 appropriation to widen Interstate 10 between Phoenix and Casa Grande non-lapsing. The department intends to use the FY 2023 appropriation to secure additional federal funding for the project.

I-10 Widening, SR 85 to Citrus Road

The budget includes \$64,200,000 from SHF in FY 2023 to design and construct additional vehicle lanes, separated by a lighted median, on Interstate 10 between SR 85 and Citrus Road. A footnote contains intent language that the City of Buckeye contribute \$3.0 million and MAG contribute at least \$10.0 million to the project. The footnote further requires ADOT to use any discretionary federal monies awarded for the project before spending any of the appropriated monies.

Jackrabbit Trail Improvements

The budget includes \$20,080,000 from SHF in FY 2023 to improve Jackrabbit Trail between Thomas Road and McDowell Road. A footnote contains intent language that the City of Buckeye contribute \$5,020,000 to the project.

Lake Havasu City Bridge Study

The budget includes \$200,000 from SHF in FY 2023 to study the construction of an emergency evacuation bridge in Lake Havasu City.

Loop 101 Screen Wall at 16th Street

The budget includes \$7,250,000 from SHF in FY 2023 to design and construct a screen wall along the east side of Loop 101 near 16th Street.

Loop 101 Screen Wall at 51st/59th Avenue

The budget includes \$9,514,000 from SHF in FY 2023 to design and construct a screen wall along Loop 101 between 51st Avenue and 59th Avenue.

Loop 303 Design (I-17 Interchange)

The budget includes \$19,000,000 from SHF in FY 2023 to design an interchange at Loop 303 and Interstate 17.

Loop 303 Design (I-17 to Lake Pleasant Parkway)

The budget includes \$4,000,000 from SHF in FY 2023 to design improvements along Loop 303 from I-17 to Lake Pleasant Parkway.

Pavement Rehabilitation Inflation, Greater Arizona

The budget includes \$31,500,000 from SHF in FY 2023 for increased costs of pavement rehabilitation. The FY 2022 Capital Outlay Bill appropriated \$90.0 million for pavement rehabilitation projects that meet the following criteria: 1) Located outside of Maricopa and Pima Counties; 2) On roads that are graded as being in fair or poor condition by ADOT; and 3) Are not contained in ADOT's FY 2021 – FY 2025 5-Year Construction Program.

SMART Fund Deposit

The budget includes \$50,000,000 from SHF in FY 2023 to deposit into the State Match Advantage for Rural Transportation (SMART) Fund. The department may use the SMART Fund to help apply for a secure federal grant funding for road projects outside of Maricopa and Pima counties.

SR 24 Right-of-Way

The budget includes \$15,000,000 from SHF in FY 2023 to acquire right of way to extend State Route 24 on a different alignment and develop a connector route that extends from State Route 24 along the central Arizona project canal alignment.

SR 69 Repavement Inflation, Prescott Valley

The budget includes \$1,645,000 from SHF in FY 2023 for increased costs of the repavement of State Route 69. The FY 2022 Capital Outlay Bill appropriated \$4.7 million for the repavement of a 3-mile stretch of road along State Route 69 in the town of Prescott Valley.

SR 69 and SR 169 Roundabout

The budget includes \$1,500,000 from SHF in FY 2023 to transition a current traffic light interchange into a roundabout.

SR 74 and Lake Pleasant Parkway Traffic Interchange

The budget includes \$5,000,000 from SHF in FY 2023 to study and design a traffic interchange on State Route 74 and Lake Pleasant Parkway.

SR 79 and Hunt Highway Intersection Assessment

The budget includes \$100,000 from SHF in FY 2023 to assess the intersection of State Route 79 and Hunt Highway to identify any issues and determine intersection improvements.

SR 87 and Skousen Road Intersection Assessment

The budget includes \$100,000 from SHF in FY 2023 to assess the intersection of State Route 87 and Skousen Road to identify any issues and determine intersection improvements.

SR 89 and SR 89A Traffic Interchange

The budget includes \$3,000,000 from SHF in FY 2023 to design a traffic interchange on State Route 89 and State Route 89A.

SR 90 Improvements Inflation, near Fort Huachuca

The budget includes \$3,710,000 from SHF in FY 2023 for increased costs to improve State Route 90. The FY 2022 Capital Outlay Bill appropriated \$10.6 million to improve State Route 90 near Fort Huachuca.

SR 90 Pavement Rehabilitation

The budget includes \$39,200,000 from SHF in FY 2023 to rehabilitate pavement along State Route 90 between Campus Drive and the U.S. Border Patrol Station in Huachuca City.

SR 95 Repavement Inflation, Mohave County

The budget includes \$19,534,600 from SHF in FY 2023 for increased costs to repave State Route 95. The FY 2022 Capital Outlay Bill appropriated \$46.7 million for the repavement of State Route 95 between Interstate 40 and Sara Park and between Parkway Intersection in Bullhead City and Courtwright Road in Mohave Valley.

SR 186/State Business Route 10 Inflation, Willcox

The budget includes \$1,464,100 from SHF in FY 2023 for increased costs to repair State Route 95 and State Business Route 10. The FY 2022 Capital Outlay Bill appropriated \$3.5 million to repair State Route 186 and State Business Route 10 in Willcox.

SR 238 Design

The budget includes \$800,000 from SHF in FY 2023 to design the improvement of State Route 238 between State Route 347 and Green Road.

SR 347 and Riggs Road Design, Study, and Construction Inflation

The budget includes \$11,375,000 from SHF in FY 2023 for increased costs for the design, right-of-way, easement, environmental study, and the construction of an overpass at Riggs Road and State Route 347. The FY 2022 Capital Outlay Bill appropriated \$35.0 million for this project to be allocated as follows: 1) \$2.5 million for study costs; 2) \$7.5 million for final design plans, right-of-way and easement costs; and 3) \$25.0 million for construction costs.

SR 347 Design

The budget includes \$19,000,000 from SHF in FY 2023 to design to widen lanes along State Route 347 between Interstate 10 and the City of Maricopa.

SR 389 and Arizona Avenue Intersection Assessment

The budget includes \$100,000 from SHF in FY 2023 to assess the intersection of State Route 389 and Arizona Avenue to identify any issues and determine intersection improvements.

Tier 2 Study for I-11

The budget includes \$25,000,000 from SHF in FY 2023 for a tier 2 study of Interstate 11 in Maricopa County. A tier 2 study further refines the analysis completed in tier 1 by identifying recommended freeway alignments and the location of design features (e.g. bridges, interchanges, signage).

Tier 2 Study for North-South Corridor

The budget includes \$15,000,000 from SHF in FY 2023 for a tier 2 study of the North-South Corridor in Pinal County.

Tier 2 Study for Sonoran Corridor

The budget includes \$14,000,000 from SHF in FY 2023 for a tier 2 study of the Sonoran Corridor in Pima County.

US 60 Pavement Rehabilitation

The budget includes \$38,482,000 from SHF in FY 2023 to rehabilitate pavement along United State Route 60 between Loop 101 and Loop 202.

US 95 Improvement Inflation, near Yuma Proving Grounds

The budget includes \$3,500,000 from SHF in FY 2023 for increased costs to improve United States Route 95. The FY 2022 Capital Outlay Bill appropriated \$10.0 million for the improvement of United States Route 95 near Yuma Proving Grounds.

US 191 Pavement Rehabilitation (Armory Road to East Safford)

The budget includes \$16,330,000 from SHF in FY 2023 for pavement rehabilitation along United States Route 191 between Armory Road and East Safford.

US 191 Pavement Rehabilitation (MP 163 to MP 173)

The budget includes \$22,152,000 from SHF in FY 2023 for pavement rehabilitation along United States Route 191 between Mile Post 163 and Mile Post 173.

General Fund Projects

Cesar Chavez Boulevard

Laws 2022, Chapter 331 appropriates \$33,000,000 from the General Fund in FY 2023 to distribute to Yuma county to construct, widen, repair and upgrade Cesar Chavez Boulevard in the City of San Luis.

Ganado School Loop Road

The budget includes \$1,000,000 from the General Fund in FY 2023 to distribute to Apache County for the construction, repairs and upgrades of County Road C- 420 Ganado School Loop Road.

Loop 101 Slip Ramp, Tolleson

The budget includes \$25,000,000 from the General Fund in FY 2023 for the Loop 101 slip ramp access project in Tolleson.

N35 Road

The budget includes \$6,000,000 from the General Fund in FY 2023 to distribute the monies to the Navajo Nation for the improvements to the N35 Road.

N9402 Road

The budget includes \$10,000,000 from the General Fund in FY 2023 to distribute the monies to the Navajo Nation for the improvements to the N9402 Road near Lupton and Houck Arizona.

Ruby Road Bridge, near Nogales

The budget includes \$3,000,000 from the General Fund in FY 2023 to improve the Ruby Road bridge near Nogales.

US 89 Traffic Circle

The budget includes \$5,000,000 from the General Fund in FY 2023 to construct a traffic circle at the intersection of North Lake Powell Boulevard and U.S. Route 89 in Page, Arizona and to install traffic control devices at the intersection of U.S. Route 89 and the road to the Horseshoe Bend parking lot.

Other Issues

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$1,082,672,000 in FY 2021 to \$1,477,802,000 in FY 2022 and \$1,634,625,000 in FY 2023.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2023 Baseline Book*. The

ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

Table 2

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

	FY 2021	FY 2022	FY 2023
	Actual	Estimate	Estimate
Aviation Federal Funds	\$5,288	\$8,352	\$11,524
Highway Federal Grants	733,962	855,644	1,113,724
Subtotal - Federal Funds	\$739,250	\$863,996	\$1,125,248
Bond Proceeds	\$7,598	\$3,601	\$0
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	3,063	3,970	4,327
Maricopa Regional Area Road Fund	331,761	605,235	504,050
Subtotal - Other Non-Appropriated Funds	\$343,422	\$613,806	\$509,377
Total	\$1,082,672	\$1,477,802	\$1,634,625

Summary of Highway Construction

The State Transportation Board oversees the department’s highway construction program. The 5-Year Highway Construction Program adopted by the board on June 21, 2021 includes monies from SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$1,004,407,000 for FY 2023. (Please see *Table 3* for additional details.)

Table 3

State Highway Fund
Highway Construction Projects Beginning in FY 2023
(\$ in Thousands)

	FY 2023 ^{1/}
Construction	\$11,300
Urban Controlled Access ^{2/}	439,430
Pavement Preservation Maintenance	462,264
Other ^{3/}	91,413
Total	\$1,004,407

^{1/} Data from ADOT’s 2022-2026 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2023.
^{2/} Includes expenditures from SHF for controlled access, PAG, and MRARF.
^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

Total Highway Construction Funding

Only a small portion of the state’s total highway construction funding is appropriated. The FY 2023 budget includes \$470,373,000 for highway construction, including \$194,220,000 of net SHF monies for statewide highway construction.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2021 through FY 2023 on a cash flow basis, as provided by ADOT. Table 3, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it only shows the total dollar cost of highway projects scheduled to begin in FY 2023 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2021, Table 5 shows that total cash highway construction expenditures were \$1,027,700,000 while \$313,200,000 was spent on debt service. In FY 2022, total estimated cash highway construction expenditures are \$1,496,100,000 with total debt service of \$312,700,000. In FY 2023, total estimated cash highway construction expenditures are \$1,681,300,000 with total debt service of \$311,900,000.

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

Table 5 does not include highway maintenance spending of \$122,816,600 in FY 2021, \$150,220,100 in FY 2022, and \$205,885,900 in FY 2023. Of the \$311,900,000 total FY 2023 debt service amount in Table 5, only \$138,500,000 is appropriated.

Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver’s license, and others. Table 4 explains the formula distribution of HURF monies between state and local governments. Table 6 presents the overall HURF distribution for FY 2021 through FY 2023. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$194,220,000 for FY 2023, does not include Maricopa County and Pima County Controlled Access Funds, Bond

Funds, Federal Funds, and Miscellaneous Funds available for construction. This line represents the amount that is available from the discretionary SHF to fund the State Transportation Board’s 5-Year Program.

Total FY 2021 HURF collections of \$1,627,170,000 were 9.9% above FY 2020 collections. As of June 2022, FY 2022 HURF year-to-date collections were 6.3% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 34% of HURF revenue in FY 2021, a percentage which has been increasing in recent years. From FY 2017 to FY 2021, the gas tax share of total collections has decreased by (5.3)% while VLT’s share has increased by 4.1%.

The gas tax comprises the second largest source of HURF collections at 31%. The average price per gallon of regular gasoline in Arizona is \$5.15 in July 2022, or \$2.03 per gallon higher than a year ago, according to the American Automobile Association.

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

Table 4

Percentage Distribution of HURF Monies

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

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

Long-Term Budget Impacts

FY 2024 SR 97 Improvements near Bagdad

The FY 2023 Capital Outlay Bill advance appropriates \$10,000,000 from the General Fund in FY 2024 to improve State Route 97 near Bagdad. A footnote reverts the appropriation on June 30, 2025 if the department does not secure federal funding for the project on or before June 30, 2025.

Statutory Changes

The Tax Omnibus bill makes the following statutory changes:

- As session law, during FY 2023 divert \$946,047,500 of General Fund transaction privilege tax (TPT) revenues to various General Fund agency funds. The distributions may be made in even monthly installments. Includes legislative intent that the distributions will not impact TPT revenues shared with cities and counties. In the case of ADOT, the diverted amount will be allocated as follows:
 - ADOT State Highway Fund: \$925,447,500
 - ADOT State Aviation Fund: \$20,600,000

The Transportation BRB makes the following statutory changes:

- As permanent law, establish the State Match Advantage for Rural Transportation (SMART) Fund consisting of monies appropriated to the fund by the Legislature for the purposes of assisting political subdivisions outside of Maricopa and Pima Counties and the Arizona Department of Transportation with costs associated with applying for and securing federal transportation grants for projects outside of Maricopa and Pima Counties. The fund will allocate the available monies as follows:
 - 40% to counties, with half going to counties larger than 100,000 persons, half to smaller
 - 40% to municipalities, with half going to municipalities larger than 10,000 persons, half to smaller
 - 20% to ADOT for projects on the system outside of Maricopa and Pima Counties

ADOT may utilize 1% of the total funding from the ADOT portion for administrative costs to manage the grant program. These grants can be utilized for one of the following:

- Shovel ready costs for a project that meets federal requirements
- Application fee to apply for the competitive grant, and
- The matching portion to draw down the competitive federal funding.

Laws 2022, Chapter 33 makes the following statutory changes:

- As permanent law, modifies the FY 2021 \$560,000 appropriation from the General Fund to improve Main Street in Jerome to be read "to improve Center Avenue in Jerome".

Table 5

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

<u>Sources</u>	<u>FY 2021</u> <u>Actual</u>	<u>FY 2022</u> <u>Estimate</u>	<u>FY 2023</u> <u>Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 109.5	\$ 108.9	\$ 119.0
HURF - MAG Debt Service	30.5	30.9	19.5
MAG/PAG 15.2% Controlled Access - Construction	13.9	103.0	103.3
Net SHF Funds Available for Statewide Highway	<u>170.0</u>	<u>168.7</u>	<u>194.2</u>
Total SHF - Appropriated ^{1/}	\$ 323.9	\$ 411.5	\$ 436.0
Non-Appropriated			
SHF Highway Construction ^{2/}	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total SHF - Non-Appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total SHF Highway Construction Expenditures	\$ 323.9	\$ 411.5	\$ 436.0
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 734.0	\$ 855.6	\$ 1,113.7
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 129.0	\$ 391.2	\$ 295.8
MRARF Debt Service	143.3	142.9	143.4
Total Maricopa Regional Area Road Fund Highway	\$ 272.3	\$ 534.1	\$ 439.2
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 0	\$ 0.1	\$ 0
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	7.6	3.5	0
Total Bond Proceeds Highway Construction Expenditures	\$ 7.6	\$ 3.6	\$ 0
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	3.1	4.0	4.3
Total Local Agency Deposits Fund Highway Construction	\$ 3.1	\$ 4.0	\$ 4.3
Total Highway Construction Expenditures	\$ 1,340.9	\$ 1,808.8	\$ 1,993.2
Total Debt Service			
SHF	\$ 139.9	\$ 139.8	\$ 138.5
Federal Aid	30.0	30.0	30.0
MRARF	143.3	142.9	143.4
Total Debt Service	\$ 313.2	\$ 312.7	\$ 311.9 ^{3/}
Total Cash Highway Construction Expenditures			
SHF	\$ 184.0	\$ 271.6	\$ 297.5
Federal Aid	704.0	825.7	1,083.7
MRARF	129.0	391.2	295.8
Bond Proceeds	7.6	3.6	0
Local Agency Deposits Fund	3.1	4.0	4.3
Total Cash Highway Construction Expenditures	\$ 1,027.7	\$ 1,496.1	\$ 1,681.3
Total Highway Construction Expenditures	\$ 1,340.9	\$ 1,808.8	\$ 1,993.2

^{1/} Excludes any new individual project funding included in the FY 2023 budget.

^{2/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{3/} Information provided by the department. Includes \$138,482,000 for HURF bonds (\$118,974,000 for statewide program and \$19,508,000 MAG program); \$29,985,000 for Grant Anticipation Notes; and \$143,389,000 for MRARF bonds.

Table 6

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

	FY 2021 <u>Actual</u>	FY 2022 <u>Estimate</u>	FY 2023 <u>Estimate</u>
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,655,264	\$1,804,032	\$1,866,161
Less: ServiceArizona ATP Fee Retention	8,520	8,903	9,304
Brick and Mortar ATP Fee Retention	5,508	5,756	6,015
ServiceArizona ATP Credit Card Fee Reimbursements	12,323	12,693	13,328
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>1,743</u>	<u>1,830</u>	<u>1,922</u>
Total HURF Collections	\$1,627,170	\$1,774,850	\$1,835,592
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	680	702	702
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	<u>10,862</u>	<u>11,603</u>	<u>11,936</u>
Net HURF Collections	\$1,614,628	\$1,761,545	\$1,821,954
Less: Cities ^{2/}	492,462	537,271	555,697
Counties ^{2/}	306,779	334,694	346,171
VLT Transfer to General Fund ^{3/}	23,343	0	0
VLT Transfer to Parity Compensation Fund ^{4/}	4,126	4,328	4,555
VLT Transfer to General Fund (5-Year VLT) ^{5/}	3,948	3,400	3,550
VLT Transfer to General Fund (Abandoned Vehicle) ^{6/}	5,990	6,100	6,250
Controlled Access ^{7/}	<u>121,801</u>	<u>133,114</u>	<u>137,671</u>
Net SHF (Discretionary)	\$ 656,179	\$ 742,638	\$ 768,060
Plus: Other Income ^{8/}	84,837	70,876	65,051
Less: Operating Budget	369,132	414,734	516,951
Dept of Public Safety Transfer from Highway Fund	318	8,167	8,167
Capital Outlay	0	6,900	19,416
Building Renewal	13,000	15,400	18,139
ServiceArizona ATP VLT Retention ^{9/}	22,420	21,917	23,066
Brick and Mortar ATP VLT Retention ^{9/}	21,453	20,971	22,072
HURF Exchange Program ^{10/}	4,748	17,000	17,000
Debt Service ^{11/}	139,921	139,787	138,482
Other	<u>0</u>	<u>-30</u>	<u>-124,402</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{12/}	\$ 170,024	\$ 168,668	\$ 194,220
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	298,718	343,155	343,796
STAN Account Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total SHF Available for Statewide Highway Construction	\$ 468,742	\$ 511,823	\$ 538,016

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

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

^{3/} Due to the Highway Safety Fee, the FY 2020 General Appropriation Act transferred \$23,343,200 from the SHF share of VLT to the state General Fund due to the "excess" Highway Safety Fee amount and monies freed up from the reduced use of SHF in the DPS budget. The FY 2021 General Appropriation Act continued that policy with the transfer of \$23,343,200 from the SHF share of VLT to the state General Fund. The FY 2022 budget discontinued this policy due to the repeal of the Highway Safety Fee at the end of FY 2021.

^{4/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

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

^{6/} A.R.S § 28-5808D also transfers the SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4802A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

^{7/} A statutorily defined distribution of SHF monies for design, acquisition, and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

^{8/} Includes transfers from the MAG 12.6% subaccount to the SHF for debt service on HURF bonds, miscellaneous receipts, rental income, sale of capital assets, underground storage tank deposits, investment income, grants from Governor's Office of Highway Safety, retained MVD fees, oversize permits, abandoned vehicle fees, and an FY 2021 budget transfer from the Arizona Highway Patrol Fund to the SHF. This excludes the \$925,447,500 of TPT General Fund collections that were deposited into the State Highway Fund to fund individual transportation projects.

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

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

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

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

Capital Outlay

Arizona Board of Regents Building Systems

FY 2023
APPROVED

BUILDING RENEWAL

Arizona Board of Regents

0

INDIVIDUAL PROJECTS

Mining, Mineral and Natural Resources Educational Museum

12,000,000^{1/}

TOTAL - ALL PROJECTS

12,000,000^{2/3/}

FUND SOURCES

General Fund

12,000,000

TOTAL - ALL SOURCES

12,000,000

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

FOOTNOTES

- 1/ A. The sum of \$12,000,000 is appropriated from the state general fund in fiscal year 2022-2023 to the Arizona board of regents to distribute to the university of Arizona for capital improvements to the mining, mineral and natural resources educational museum.
B. Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation made in this section that is unexpended on June 30, 2024 reverts to the fund from which the monies were appropriated.
- 2/ A.R.S. § 15-1670 appropriates \$33,016,100 to the universities from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- 3/ A.R.S. § 15-1671 appropriates \$28,939,500 to the universities from the General Fund in FY 2023 for capital infrastructure projects.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on a formula determined by the Joint Committee on Capital Review (JCCR). As required by A.R.S. § 41-793.01, the formula accounts for the replacement value, age, and life cycle of a building. In FY 2023, ABOR reports funding 100% of the building renewal formula would be \$201,446,500. The budget includes no funding for Building Renewal in the ABOR Building System.

The FY 2023 Higher Education Budget Reconciliation Bill (BRB), as session law, re-directs ADOA to convey the museum to UA. As directed by Laws 2017, Chapter 221, ADOA previously conveyed the museum to UA. However, the deed stipulated that the museum revert back to ADOA if the museum did not open to the public by June 15, 2022. The museum did not open to the public by this date. Following the conveyance and reversion of the museum, the FY 2023 Higher Education BRB re-directs ADOA to convey the museum to UA.

Individual Projects

Mining, Mineral and Natural Resources Educational Museum

The budget includes \$12,000,000 from the General Fund in FY 2023 for the Mining, Mineral and Natural Resources Educational Museum. ABOR is required to distribute the monies to UA for capital improvements. The monies are appropriated as non-lapsing through June 30, 2024.

Summary of University Debt

ABOR estimates that as of the end of FY 2023, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,954,078,800, of which \$3,584,195,000 is for outstanding bonds and \$369,883,800 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,107,818,000
NAU	417,960,000
UA (all campuses)	<u>1,428,300,800</u>
Total	\$3,954,078,800

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2023 will be \$354,031,300. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$179,707,800
NAU	39,367,900
UA (all campuses)	<u>134,955,600</u>
Total	\$354,031,300

In addition to University system revenues being allocated for FY 2023 debt service payments, \$37,798,800 would be paid by Lottery monies, \$33,016,100 would be paid by the General Fund for 2003 research infrastructure projects, and \$13,531,400 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects.

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

State Bonding Programs

University Lottery Bonds

One component of the \$3,584,195,000 bond balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds. Pursuant to A.R.S. § 5-522 and § 15-1682.03, ABOR is authorized to enter into bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities. Debt service payments for SPEED bonds will total \$47,248,500 in FY 2023, of which 80% will be paid by Lottery monies and 20% with university system revenues.

2017 Capital Infrastructure Appropriations

Another component of the \$3,584,195,000 bond balance is 2017 Capital Infrastructure funding. Pursuant to A.R.S. § 15-1671, universities receive annual General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriated \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2023 budget assumes a 2.0% increase from FY 2022, resulting in a total FY 2023 appropriation of \$28,939,500. Debt service payments will total \$27,062,700 in FY 2023, of which 50% will be paid by the General Fund and 50% will be paid with university system revenues.

For additional information on state bonding programs for universities, please see the *Lottery Bonds and Capital*

Infrastructure Funding Program Summary on the JLBC website.

University Debt Ratio Policy

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

Specifically, the statute requires that the projected debt service payments on outstanding and proposed bonds and certificates of participation (COPs) not exceed 8.0% of each institution's total projected expenditures and mandatory transfers in any fiscal year. University SPEED bonds are exempt from the debt ratio calculations.

The universities' Capital Improvement Plans project expected debt ratios through FY 2025. The rate and year in which each university is projected to have its highest debt ratio is listed below. The ratio is also displayed if the university lottery bonds were applied to the calculation.

- ASU: 5.0% (5.5% with SPEED) in FY 2024
- NAU: 5.3% (7.0% with SPEED) in FY 2025
- UA: 5.6% (6.7% with SPEED) in FY 2024

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$2,723,500,000 in additional debt beyond the planned projects based on these debt service ratios.

Other Issues

Statutory Changes

The Higher Education BRB makes the following statutory changes:

- As session law, directs ADOA to convey the Mining, Mineral and Natural Resources Museum to the University. The prior conveyance expires in June 2022.

Capital Outlay

Debt and Lease-Purchase Financing

FY 2022
SUPPLEMENTAL

DEBT PAYOFF APPROPRIATIONS* ^{1/2/}

2015/2017 Refinance Payoff – ASH Forensic Unit and ADC Prison Beds/Water Supply Projects	93,500,000
TOTAL - ALL PROJECTS	93,500,000

* These amounts represent a General Fund debt payoff included in the FY 2023 budget, which was appropriated as a non-lapsing FY 2022 supplemental. This display only includes the FY 2022 supplemental appropriation and does not represent total FY 2022 debt service and lease-purchase payments. FY 2023 will include no debt service payments for the Series 2015/2017 issuance. All other debt service and lease-purchase payments are reflected in individual agency budgets (*Please see Table 1*).

FUND SOURCES

General Fund	93,500,000
TOTAL - ALL SOURCES	93,500,000

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

FOOTNOTES

- 1/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.
- 2/ A. In addition to any other appropriations made in fiscal year 2021-2022, the sum of \$93,500,000 is appropriated from the state general fund in fiscal year 2021-2022 to the department of administration to pay for the retirement or defeasance of the financing agreements entered into pursuant to Laws 2007, chapter 257, section 8 and Laws 2007, chapter 261, section 9.
B. The director of the department of administration shall notify the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting not more than ten days after each retirement or defeasance is executed as required in subsection A of this section. Each notification shall include the date and final cost of each retirement or defeasance.
C. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any amounts remaining after the retirements or defeasances are executed as required by subsection A of this section revert to the state general fund. (General Appropriation Act footnote)

2015/2017 Refinance Payoff – ASH Forensic Unit and ADC Prison Beds/Water Supply Projects

The budget includes \$93,500,000 from the General Fund in FY 2022 to ADOA to retire the financing agreements entered into pursuant to Laws 2007, Chapter 257, Section 8 and Laws 2007, Chapter 261, Section 9.

Beginning in FY 2023, the debt service payments for these issuances will be eliminated. After accounting for the debt payoff appropriation of \$93.5 million (which includes transaction costs) and multi-year debt service savings of \$94.8 million from eliminating the remaining payments, the state will realize cumulative net General Fund savings of approximately \$1.3 million through FY 2028.

Other Issues

Long-Term Financing Summary

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

Lease-Purchase Facilities

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

At the end of FY 2023, the outstanding balance of lease-purchase agreements is expected to be \$781.6 million.

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

Bonding Summary

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

At the end of FY 2023, the outstanding balance of bond financing is expected to be \$4.67 billion.

Table 1 provides information related to current outstanding bond financing.

January 31 JLBC Debt Report

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

- The statewide aggregate level of outstanding principal, by type of debt or obligation;
- The principal and interest payments on each of the state's long-term obligations;
- A description of the state's payment deferrals ("rollovers") by agency, including: the date the payment was originally scheduled to be made, interest paid to date on the deferral, and interest paid in the prior and current fiscal years; and
- Historical information on the state's overall debt balance and per capita debt obligations, based on available data.

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

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

While the January 31, 2022 debt report would typically provide debt information on the prior fiscal year (FY 2021), the FY 2022 budget included \$977.1 million of funding for debt payoff, which is not reflected in the FY 2021 data. To provide a more accurate display of the

state's current outstanding debt, the January 31, 2022 report included information from *Table 1*, which shows debt payments and year-end balances for the upcoming fiscal year (FY 2023). The January 2022 debt report presented this FY 2023 information prior to the FY 2023 enacted budget implementing the payoff of the Series 2015/2017 refinance issuances.

Table 1

Lease-Purchase and Bonding Summary

	Overall Balance	^{1/} GF Balance	^{1/} GF Balance	Overall FY 23 Payment	^{2/} FY 23 GF Payment	^{2/} Retirement FY
<u>Lease-Purchase Summary</u>						
<u>ADOA Building System</u>						
2013 A Issuance						
PLTO Refinance - DHS Building	\$ 12,215,000	\$ 7,329,000		\$ 2,329,500	\$ 1,397,700	FY 29
2013 B Issuance						
Refinance - 2002A Health Lab	\$ -	\$ -		\$ 2,049,900	\$ -	FY 23
2015 Issuance						
Refinance - 2008A ADC and DHS ^{3/}	\$ -	\$ -		\$ -	\$ -	FY 23
2015 A Issuance						
PLTO Refinance - Capitol Mall	\$ 24,755,000	\$ 9,902,000		\$ 6,217,600	\$ 2,487,000	FY 28
2017 Issuance						
ADC 4000 Prison Beds, Wastewater and DHS ASH Forensic Unit ^{3/}	\$ -	\$ -		\$ -	\$ -	FY 23
Subtotal - ADOA	\$ 36,970,000	\$ 17,231,000		\$ 10,597,000	\$ 3,884,700	
<u>School Facilities Board</u>						
Federal Bonds	\$ 25,144,400	\$ 25,144,400		\$ 9,938,100 ^{4/}	\$ 9,938,100 ^{4/}	FY 28
<u>ABOR Building System</u>						
Arizona State University	\$ 188,688,000	\$ 94,170,000		\$ 26,059,900	\$ 13,462,100	FY 39
Northern Arizona University	33,070,000	33,070,000		5,301,500	5,301,500	FY 31
University of Arizona	148,125,800	93,085,000		31,529,600	14,252,500	FY 72
Subtotal - ABOR	\$ 369,883,800	\$ 220,325,000		\$ 62,891,000	\$ 33,016,100	
Phoenix Convention Center ^{5/}	\$ 349,610,000	\$ 349,610,000		\$ 24,999,400	\$ 24,999,400	FY 44
TOTAL - Lease-Purchase	\$ 781,608,200	\$ 612,310,400		\$ 108,425,500	\$ 71,838,300	
<u>Bonding Summary</u>						
Department of Transportation ^{6/}	\$ 1,085,355,000	\$ -		\$ 168,467,000	\$ -	FY 14 - 38
<u>ABOR Building System</u>						
Arizona State University	\$ 1,429,300,000	\$ -		\$ 124,367,400	\$ -	FY 55
Northern Arizona University	289,590,000	-		24,012,300	-	FY 44
University of Arizona	785,215,000	-		68,449,400	-	FY 48
University Lottery Bond (SPEED)	485,075,000 ^{7/}	-		47,248,500	-	FY 48
University Infrastructure (2017) ^{8/}	595,015,000	-		27,062,700	13,531,400	FY 44
Subtotal - ABOR	\$ 3,584,195,000	\$ -		\$ 291,140,300	\$ 13,531,400	
TOTAL - Bonding	\$ 4,669,550,000	\$ -		\$ 459,607,300	\$ 13,531,400	
TOTAL - Lease-Purchase & Bonding	\$ 5,451,158,200	\$ 612,310,400		\$ 568,032,800	\$ 85,369,700	

^{1/} Represents principal balances as of June 30, 2023. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.
^{2/} Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 23 GF Payment" column.
^{3/} The FY 2023 budget appropriated General Fund monies to pay off the remaining debt for the ADOA 2015 and 2017 Issuances.
^{4/} This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account prior federal budget reductions, in FY 2023 this subsidy is expected to be \$3,729,900 of the \$9,938,100 payment.
^{5/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment. Laws 2015, Chapter 10 made a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.
^{6/} Includes \$943,450,000 for Highway User Revenue Fund bonds and \$141,905,000 for Grant Anticipation Notes.
^{7/} Represents outstanding balance as of the end of FY 2023 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)
^{8/} The universities will receive \$28,939,500 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding program. As of December 2021, JCCR has reviewed a total of 16 projects for the program, of which 9 are funded by system revenue bonds and 7 are cash-funded. The General Fund is expected to pay \$13,531,400 in FY 2023 for debt service.

LEASE-PURCHASE APPROPRIATIONS ^{1/} Department of Administration Building System

BUDGET UNITS	Fiscal Year 2022 - Appropriations Report				Fiscal Year 2023 - Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$121,800		\$121,800		\$125,900		\$125,900	-	\$4,100	-	\$4,100
Administration, Arizona Department of	\$628,600	1,619,800	\$169,200	2,417,600	\$223,500	575,900	\$60,200	859,600	(\$405,100)	(1,043,900)	(\$109,000)	(1,558,000)
Deaf and the Hard of Hearing, Commission for the		233,700		233,700		241,600		241,600	-	7,900	-	7,900
Education, Department of				-	406,700	113,000	610,000	1,129,700	406,700	113,000	610,000	1,129,700
Equalization, State Board of	95,300			95,300	98,500			98,500	3,200	-	-	3,200
Gaming, Department of				-		421,000		421,000	-	421,000	-	421,000
Insurance & Financial Institutions, Department of	588,200	112,000		700,200	359,400	68,500		427,900	(228,800)	(43,500)	-	(272,300)
Juvenile Corrections, Department of				-	297,700			297,700	297,700	-	-	297,700
Real Estate Department, State	189,300			189,300	195,400			195,400	6,100	-	-	6,100
Tax Appeals, State Board of	36,700			36,700	37,900			37,900	1,200	-	-	1,200
Subtotal - ADOA Building	\$1,538,100	\$2,087,300	\$169,200	\$3,794,600	\$1,619,100	\$1,545,900	\$670,200	\$3,835,200	\$81,000	(\$541,400)	\$501,000	\$40,600
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,339,900			\$15,339,900	\$0			-	(\$15,339,900)	-	-	(\$15,339,900)
Water and Wastewater Projects	628,100			628,100	\$0			-	(628,100)	-	-	(628,100)
Subtotal - AZ Department of Corrections	\$15,968,000	\$0	\$0	\$15,968,000	\$0	\$0	\$0	\$0	(\$15,968,000)	\$0	\$0	(\$15,968,000)
Department of Environmental Quality Building												
Agriculture, Department of				-	\$308,500		\$273,600	\$582,100	\$308,500	-	\$273,600	\$582,100
Automobile Theft Authority		\$48,900		\$48,900		-		-	-	(\$48,900)	-	(48,900)
Citizens Clean Elections Commission				-		95,900	95,900	95,900	-	-	95,900	95,900
Criminal Justice Commission, Arizona		11,400	\$178,800	190,200		\$11,900	186,000	197,900	-	500	7,200	7,700
Environmental Quality, Department of		3,405,100		3,405,100		1,942,000		1,942,000	-	(1,463,100)	-	(1,463,100)
Forestry and Fire Management, AZ Department of	\$235,200		35,100	270,300	240,600		35,900	276,500	5,400	-	800	6,200
Gaming, Department of		591,200		591,200		-		-	-	(591,200)	-	(591,200)
Housing, AZ Department of	69,900	23,300	372,900	466,100	35,300	11,800	188,500	235,600	(34,600)	(11,500)	(184,400)	(230,500)
Independent Redistricting Commission				-	40,900			40,900	40,900	-	-	40,900
State Land Department				-	899,800			899,800	899,800	-	-	899,800
Arizona State Parks Board				-			328,000	328,000	-	-	328,000	328,000
Pharmacy, Arizona State Board of				-		130,900		130,900	-	130,900	-	130,900
Residential Utility Consumer Office		113,900		113,900		118,600		118,600	-	4,700	-	4,700
Technical Registration, State Board of		186,000		186,000		214,800		214,800	-	28,800	-	28,800
Tourism, Office of				-	224,700			224,700	224,700	-	-	224,700
Water Resources, Department of	1,032,800			1,032,800	1,084,000			1,084,000	\$51,200	-	-	51,200
Subtotal - ADEQ Building	\$1,337,900	\$4,379,800	\$586,800	\$6,304,500	\$2,833,800	\$2,430,000	\$1,107,900	\$6,371,700	\$1,495,900	(\$1,949,800)	\$521,100	\$67,200
Health Services, Department of												
Health Services Building - Refinance	\$2,283,600	\$1,522,400		\$3,806,000	\$2,364,400	\$1,576,300		\$3,940,700	\$80,800	\$53,900	-	\$134,700
Health Lab - Refinance		2,057,400		2,057,400		2,049,900		2,049,900	-	(7,500)	-	(7,500)
Arizona State Hospital Forensic Unit	2,971,000			2,971,000	-			-	(2,971,000)	-	-	(2,971,000)
Subtotal - Department of Health Services	\$5,254,600	\$3,579,800	\$0	\$8,834,400	\$2,364,400	\$3,626,200	\$0	\$5,990,600	(\$2,890,200)	\$46,400	\$0	(\$2,843,800)
GRAND TOTAL	\$24,098,600	\$10,046,900	\$756,000	\$34,901,500	\$6,817,300	\$7,602,100	\$1,778,100	\$16,197,500	(\$17,281,300)	(\$2,444,800)	\$1,022,100	(\$18,704,000)

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

Capital Outlay
Local Assistance

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
DISTRIBUTIONS			
Phoenix Convention Center	23,997,900	24,498,500	24,999,400 ^{1/}
Rio Nuevo District	9,525,700	16,000,000	16,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	33,523,600	40,498,500	40,999,400 ^{3/}
FUND SOURCES			
General Fund	33,523,600	40,498,500	40,999,400
TOTAL - ALL SOURCES	33,523,600	40,498,500	40,999,400

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

FOOTNOTES

- 1/ Pursuant to section 9-602, Arizona Revised Statutes, \$24,999,400 of state general fund revenue is allocated in fiscal year 2022-2023 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ Pursuant to section 42-5031, Arizona Revised Statutes, a portion of the state transaction privilege tax revenues will be distributed to a multipurpose facility district. The Rio Nuevo multipurpose facility district is estimated to receive \$16,000,000 in fiscal year 2022-2023. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The budget includes \$24,999,400 from the General Fund in FY 2023 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2023 adjustments are as follows:

Distribution Increase

The budget includes an increase of \$500,900 from the General Fund in FY 2023 to increase the distribution to the City of Phoenix pursuant to A.R.S. § 9-602.

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

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

Table 1

Phoenix Convention Center Debt Service

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2023	24,999,400	FY 2035	29,995,775
FY 2024	25,498,550	FY 2036	29,999,975
FY 2025	25,998,700	FY 2037	29,995,825
FY 2026	26,497,375	FY 2038	29,995,850
FY 2027	26,997,100	FY 2039	29,996,750
FY 2028	27,495,125	FY 2040	29,995,225
FY 2029	27,998,700	FY 2041	29,997,975
FY 2030	28,499,525	FY 2042	29,996,150
FY 2031	28,999,575	FY 2043	29,996,175
FY 2032	29,495,550	FY 2044	29,998,925
FY 2033	29,999,150		

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

The latest study found that estimated General Fund revenues exceeded the state's debt service payments by \$30,693,900 through CY 2020 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time.

Table 2
Project Revenue and Debt Service Payments
(\$ in Millions)

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

^{1/} Statute requires the Auditor General study to include estimates by calendar year but specifies the state's debt service obligation by fiscal year. Debt service payments for fiscal years are listed in the calendar year they were made.
^{2/} Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2020)*

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

Rio Nuevo District

The budget includes \$16,000,000 from the General Fund in FY 2023 for distributions to finance the development of a multipurpose facility and supporting projects in the Rio Nuevo Multipurpose Facilities District. This amount is unchanged from FY 2022.

The FY 2022 General Appropriation Act displays a \$16,000,000 estimated distribution in FY 2022. This amount was effectively based on the FY 2020 actual distribution, which was the most recent information available at the time the FY 2022 budget was enacted. While the General Appropriation Act displays a projected amount for information purposes, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Subsequent to the passage of the FY 2022 General Appropriation Act, actual FY 2021 information became available, and the FY 2021 actual distribution was \$9,525,700. Given the recent trends of overall Sales Tax growth, the original FY 2022 estimate of \$16,000,000 has been retained for both FY 2022 and FY 2023 in the budget.

Background – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. The district receives a diversion of state Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Corridor. (See Table 3 for the history of Rio Nuevo TPT payments).

Table 3
State TPT Payments to the Rio Nuevo District

Fiscal Year	Distributions
FY 2021	\$9,525,698
FY 2020	14,478,796
FY 2019	15,958,879
FY 2018	13,562,702
FY 2017	13,988,471
FY 2016	13,088,813
FY 2015	6,958,022
FY 2014	9,486,100
FY 2013	9,755,752
FY 2012	11,957,943
FY 2011	14,099,949
FY 2010	8,727,318
FY 2009	10,399,336
FY 2008	15,456,187
FY 2007	14,974,923
FY 2006	10,968,178
FY 2005	7,469,632
FY 2004	5,081,197
Total	\$205,937,896

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

At the April 2019 JCCR meeting, the Committee gave a favorable review of 3 projects that were approved by the Rio Nuevo Board of Directors and have executed development agreements in place. The board agreed to spend up to a total of \$12,400,000 on these projects. Since the April 2019 meeting, there have been no additional projects submitted for JCCR review.