



ARIZONA STATE SENATE
Fifty-First Legislature, Second Regular Session

FACT SHEET FOR S.B. 1378

university research infrastructure facilities; appropriation

Purpose

Appropriates blank amounts from the state General Fund (GF) to Arizona universities in several fiscal years for lease-purchase capital financing for research infrastructure projects.

Background

Statute gives the Arizona Board of Regents (ABOR) the power to issue bonds if both of the following conditions are met: 1) as of the date of issuance of bonds or certificates of participation for any institution, projected debt service on bonds and certificates of participation then outstanding and proposed to be issued, as shown in the most recent capital improvement plan reported to ABOR, may not exceed, in any fiscal year shown in the capital improvement plan, more than eight percent of that institution's total projected expenditures and mandatory transfers; and 2) the project to be acquired with the proceeds of the bonds is reviewed by the Joint Committee on Capital Review.

The University Capital Improvement Fund (UCI Fund), funded with State Lottery revenues, serves as the source for up to 80 percent of the annual debt service associated with \$800,000,000 of University Capital construction lease-purchase agreements. This fund received \$11,161,000 in FY 2013, which was 80 percent of the annual debt service payments on the \$386,715,000 of lease-purchase agreements that have been issued to date. The UCI Fund is expected to require \$18,759,800 in FY 2014 and \$19,487,700 in FY 2015 to make the expected level of debt service payments. The FY 2015 estimate includes debt service payments on \$524,615,000 of lease-purchase agreements that have already been or will be issued by the end of FY 2015. Once the full \$800,000,000 has been issued, debt service payments could total \$41,632,800, depending on assumptions of repayment lengths and interest rates (FY 2015 JLBC Baseline Book).

The fiscal impact to the state GF associated with this legislation is the total amount of the appropriations included.

Provisions

1. Appropriates the following amounts from the state GF for lease-purchase capital financing for research infrastructure projects:
 - a) blank amounts in FY 2016 for Arizona State University (ASU), Northern Arizona University (NAU) and the University of Arizona (UA);
 - b) blank amounts in FY 2017 for Arizona State University (ASU), Northern Arizona University (NAU) and the University of Arizona (UA); and

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- c) blank amounts in FY 2018 through FY 2040 for Arizona State University (ASU), Northern Arizona University (NAU) and the University of Arizona (UA).
2. Stipulates that lease-purchase agreements financed with the above appropriated amounts:
 - a) must be entered into before July 1, 2018;
 - b) shall comply with the Constitution and other laws of this state;
 - c) are exempt from statutory requirements regarding limits of the university's total projected bond expenditures and mandatory transfers; and
 - d) are exempt from inclusion in each university's debt calculation regarding issuance of bonds.
3. Stipulates that the above appropriations constitute continuing year-to-year appropriations but do not constitute an obligation of the Legislature or this state to continue the appropriation in any fiscal year.
4. Stipulates that each of the above appropriations are a current expense of this state in the fiscal year in which it occurs and does not constitute general obligation indebtedness of this state, the ABOR or any university.
5. Stipulates that if the appropriation is discontinued in any fiscal year, this state, ABOR and the university are relieved of any subsequent obligation.
6. Allows the university to use excess monies for building renewal projects, if the annual appropriation to ABOR exceeds the annual lease-purchase payment amount in any fiscal year. *Building renewal* is defined as major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life. Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification and routine preventive maintenance.
7. Requires ABOR to submit an annual report to the Governor and Legislature in each fiscal year in which projects prescribed by this legislation are financed and under construction, which details:
 - a) steps taken to ensure that construction companies in this state have ample opportunity to compete for projects;
 - b) lists companies that were awarded contracts for these projects; and
 - c) delineates number of jobs generated by these projects.
8. Defines *building renewal* and *research infrastructure*.
9. Becomes effective on the general effective date.

Prepared by Senate Research

February 21, 2014

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