



ARIZONA STATE SENATE
Fifty-Seventh Legislature, First Regular Session

REVISED
FACT SHEET FOR S.B. 1737

capital outlay; 2025-2026; appropriations

Purpose

Makes session law changes relating to capital outlay necessary to implement the FY 2026 state budget.

Background

The Arizona Constitution prohibits substantive law from being included in the general appropriations, capital outlay appropriations and supplemental appropriations bills. However, it is often necessary to make statutory and session law changes to effectuate the budget. Thus, separate bills called budget reconciliation bills (BRBs) are introduced to enact these provisions. Because BRBs contain substantive law changes, the Arizona Constitution provides that they become effective on the general effective date, unless an emergency clause is enacted.

S.B. 1737 contains the budget reconciliation provisions for changes relating to capital outlay.

Provisions

Building Renewal

1. Appropriates the following amounts in FY 2026 to the following state agencies from the specified funds for major maintenance and repair activities for state buildings:

Agency	Fund Source	Amount	% of Formula
Arizona Department of Administration (ADOA)	Capital Outlay Stabilization Fund (COSF)	\$16,800,000	76.67%
	Legislative, Executive and Judicial Public Buildings Land Fund	\$3,120,500	14.24%
	state General Fund (state GF)	\$1,600,000	7.3%
	Telecommunication Fund for the Deaf	\$393,000	1.79%
Arizona Department of Corrections,	ADCRR Building Renewal Fund	\$5,864,300	100%

Agency	Fund Source	Amount	% of Formula
Rehabilitation and Reentry (ADCRR)			
Arizona Game and Fish Department (AZGFD)	AZGFD Fund	\$1,815,700	100%
Arizona State Lottery Commission	State Lottery Fund	\$218,200	100%
Arizona Department of Transportation (ADOT)	State Highway Fund (SHF)	\$22,990,400	98.25%
	State Aviation Fund	\$394,900	1.75%

2. Stipulates that the \$393,000 appropriation from the Telecommunication Fund for the Deaf index number SD 1700 must be used solely for building renewal at the Arizona State Schools for the Deaf and the Blind.
3. Requires ADOA to allocate appropriated monies to state agencies for necessary building renewal.
4. Reduces the ADOA appropriation for building renewal by the difference between the appropriated monies and the balance in the COSF, if monies in the COSF are insufficient to fund the \$16,800,000 appropriation.
5. Allows ADOA to use monies appropriated for building renewal in FY 2026 for building projects related to retrofitting facilities for space-consolidation initiatives.
6. Prohibits ADCRR from spending any of the FY 2026 appropriation for building renewal on personal services or overhead expenses related to managing funded projects.

Individual Projects

7. Appropriates the following amounts in FY 2026 to the following state agencies and boards from the specified funds for individual capital projects:

Agency	Purpose	Fund	Amount
ADCRR	Replace fire, life alarm and suppression system at the Yuma State Prison	state GF	\$8,500,000
Arizona Exposition and State Fair (AESF) Board	Capital improvements	EASF Fund	\$3,815,100
AZGFD	Dam maintenance	Capital Improvement Fund	\$150,000
AZGFD	Hatchery maintenance	Capital Improvement Fund	\$400,000
AZGFD	Property maintenance	Capital Improvement Fund	\$300,000
AZGFD	Dam repairs at Black Canyon Lake and Fool Hollow Lake	AZGFD Fund	\$6,850,000
AZGFD	Hatchery repairs	AZGFD Fund	\$4,700,000

Agency	Purpose	Fund	Amount
Department of Health Services (DHS)	Arizona State Hospital (ASH) isolation valve installation	ASH Land Fund	\$160,000
DHS	ASH anti-ligature renovations	ASH Land Fund	\$695,000
DHS	ASH perimeter detection system replacement	ASH Land Fund	\$83,000
Arizona Department of Juvenile Corrections (ADJC)	Fire line booster pumps replacement	Criminal Justice Enhancement Fund	\$417,900
		ADJC Local Cost Sharing Fund	\$118,700
ADJC	Door and lock replacements at Adobe Mountain School	Criminal Justice Enhancement Fund	\$303,000
ADJC	Kitchen air unit replacements at Adobe Mountain School	Criminal Justice Enhancement Fund	\$641,000
Arizona State Parks Board (ASPB)	Capital improvements	State Parks Revenue Fund	\$3,633,300
Arizona Pioneers' Home	Capital improvements	Miners' Hospital for Miners with Disabilities Land Fund	\$470,400
Arizona Pioneers' Home	Facility window and door replacements	Miners' Hospital for Miners with Disabilities Land Fund	\$1,515,000
Department of Public Safety (DPS)	Replace office buildings in Payson and Sanders	state GF	\$2,000,000
DPS	Upgrade electrical system at DPS headquarters in Phoenix	state GF	\$11,227,100
ADOT	Improvements to vehicle repair shop in Avondale	SHF	\$6,951,000
ADOT	Construct new maintenance offices in Little Antelope and Gray Mountain	SHF	\$6,861,000
ADOT	Renovate Grand Canyon Airport terminal	State Aviation Fund	\$850,300
Arizona Department of Veterans' Services (ADVS)	Replace heating, ventilation and air conditioning (HVAC) at the Tucson veterans' home	state GF	\$2,400,000

8. Reverts the \$850,300 appropriation to renovate the Grand Canyon Airport terminal to the State Aviation Fund on June 30, 2026, if ADOT does not secure a Federal Aviation Administration grant for the project.
9. Reverts the \$2,400,000 appropriation to replace the HVAC at the Tucson veterans' home to the state GF on June 30, 2026, if ADVS is not awarded federal grant monies for the project.

10. Allows ADVS to apply for federal grant monies for the HVAC replacement project prior to review by the Joint Committee on Capital Review (JCCR).

ADOT Statewide Highway Construction

11. Appropriates a total of \$38,168,800 in FY 2026 from the state GF to ADOT for the following highway projects:

Project	Amount
Construct safety improvements along State Route (SR) 70 from mile post 255 to mile post 301 near San Carlos Apache Reservation	\$1,400,000
Design an additional right-hand turn lane on northbound SR 87 and SR 260 near Payson	\$2,129,800
Design the repaving of Olga Frontage Road between mile posts 366 and 379	\$850,000
Design to widen lanes along SR 347 between Interstate 10 and the City of Maricopa	\$1,500,000
Design traffic interchange and connecting arterial roadways at SR 303 and 155th Avenue	\$3,500,000
Distribute to Mohave County for Mountain View Road improvements	\$1,000,000
Distribute to the City of Bullhead City for Hancock Road improvements	\$1,500,000
Distribute to the City of Flagstaff to design and construct a traffic light signal at the intersection of Woody Mountain Road and U.S. Route 66	\$1,900,000
Distribute to the City of Kingman for Eastern Street infrastructure improvements	\$1,500,000
Distribute to the City of Nogales for improvements to Fred Reed Road	\$1,500,000
Distribute to the City of Nogales for improvements to Industrial Park Road	\$2,900,000
Distribute to the City of Nogales for improvements to La Quinta Road	\$1,800,000
Distribute to the Prescott Regional Airport for infrastructure supporting firefighting aircraft	\$2,500,000
Distribute to the Town of Queen Creek for improvements to SR 24	\$500,000
Distribute to Yuma County for bridge replacement project on Somerton Avenue between West County 10th Street and West County 11th Street	\$1,300,000
Improve intersection on SR 347 at Casa Blanca Road and Cement Plant Access Road	\$10,839,000
Install traffic control systems along SR 389 near Colorado City	\$1,500,000
Restripe lanes along the interchange ramp from eastbound SR 24 to SR 202	\$50,000

12. Declares the Legislatures intent that a local government or council or government entity contribute \$900,000 in matching monies to design traffic interchange and connecting arterial roadways at SR 303 and 155th Avenue.

13. Bars ADOT from expending appropriated monies to design traffic interchange and connecting arterial roadways at SR 303 and 155th Avenue until ADOT can confirm the matching commitment to the project.

14. Requires ADOT to submit an intergovernmental agreement by September 15, 2025, to the following entities for specified projects:

- a) Flagstaff to design and construct a traffic light signal at the intersection of Woody Mountain Road and U.S. Route 66;
- b) Bullhead City for Hancock Road improvements;
- c) Mohave County for Mountain View Road improvements;
- d) the Town of Queen Creek for improvements to SR 24;
- e) the Prescott Regional Airport for infrastructure supporting firefighting aircraft;

- f) Yuma County for bridge replacement project on Somerton Avenue between West County 10th Street and West County 11th Street;
 - g) the City of Kingman for Eastern Street infrastructure improvements; and
 - h) the City of Nogales for improvement projects to Fred Reed Road, Industrial Park Road and La Quinta Road.
15. Requires the following appropriations for specified projects to be distributed by November 1, 2025, if the applicable entity agrees to the intergovernmental agreement:
- a) \$1,900,000 to the City of Flagstaff to design and construct a traffic light signal at the intersection of Woody Mountain Road and U.S. Route 66;
 - b) \$1,500,000 to the City of Bullhead City for Hancock Road improvements;
 - c) \$1,000,000 to Mohave County for Mountain View Road improvements;
 - d) \$500,000 to the Town of Queen Creek for improvements to SR 24;
 - e) \$2,500,000 to the Prescott Regional Airport for infrastructure supporting firefighting aircraft;
 - f) \$1,300,000 to Yuma County for bridge replacement project on Somerton Avenue between West County 10th Street and West County 11th Street;
 - g) \$1,500,000 to the City of Kingman for Eastern Street infrastructure improvements; and
 - h) a total of \$6,200,000 to the City of Nogales for improvement projects to Fred Reed Road, Industrial Park Road and La Quinta Road.
16. Expands the authorized use of the \$1,500,000 appropriation to the Town of Patagonia from the state GF in FY 2024 to reconstruct McKeown Avenue between Third Avenue West and SR 82.
17. Appropriates \$458,770,000 in FY 2025 from the SHF to ADOT to:
- a) plan and construct state highways, including the national system of interstate highways within the state, the state primary or secondary system, the county primary or secondary system and urban rural routes;
 - b) acquire rights-of-way; and
 - c) provide for the cost of contracted field administration and engineering on construction projects and debt service payments on bonds issued for highway construction.
18. Exempts the \$458,770,000 appropriation from review by the JCCR.
19. Appropriates balances and collections in the SHF that exceed the specific amounts appropriated by the FY 2026 General Appropriations Act and the Capital Outlay Budget Reconciliation Act to ADOT for authorized purposes.
20. Requires ADOT, by November 1, 2025, to report to the Directors of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) on:
- a) ADOT's actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources;
 - b) capital outlay information for FYs 2025, 2026 and 2027; and
 - c) ADOT's estimated outstanding debt principal balance at the end of FY 2027 and the estimated debt service payment amounts for FYs 2027 through 2030.
21. Requires ADOT's highway construction expenses report to:
- a) include fund sources from bond proceeds and appropriated, federal, local agency, state highway and regional area road monies; and
 - b) be in the same format as the prior year unless the Directors of JLBC and OSPB have approved modifications.
22. Requires ADOT's reported capital outlay information to be in the same format as tables three, four and seven of the FY 2025 Appropriations Report.

23. Requires ADOT's report on estimated outstanding debt principal balance and service payments to:
 - a) include SHF statewide construction bonds, Arizona Highway User Revenue Fund bonds, Maricopa and Pima Associations of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and grant anticipation notes; and
 - b) be comparable to the information in the FY 2025 Appropriations Report.

ADOT Airport Planning and Development

24. Appropriates \$44,340,700 from the State Aviation Fund in FY 2026 to ADOT to plan, construct, develop and improve state, county, city or town airports, as determined by the State Transportation Board.
25. Exempts the \$44,340,700 appropriation from JCCR review.
26. Appropriates any balances and collections in the State Aviation Fund that exceed the specific amounts appropriated by the FY 2026 General Appropriations Act and Capital Outlay Budget Reconciliation Act to ADOT in FY 2026 for authorized purposes.
27. Requires ADOT, by December 31, 2025, to report to the JLBC staff on the status of all aviation grant awards and distributions.
28. Requires the report on aviation grants to delineate projects by individual airport and fiscal year, including any future-year commitments.

Appropriation Reductions and Fund Balance Transfers

29. Removes the \$1,529,800 appropriation in FY 2024 from the state GF to ADOT to distribute to the Town of Payson for roundabout construction and improvements at intersection of Longhorn Road and McLane Road.
30. Removes the \$9,240,000 appropriation in FY 2028 from the state GF to ADOT to distribute to Pinal County for the engineering and design of the West Pinal Parkway East-West Corridor.
31. Reverts a total of \$23,201,933 to the State Parks Revenue Fund by removing the following amounts appropriated to the ASPB:

Purpose	FY	Amount
Dead Horse Ranch state park amphitheater	2023	(\$210,000)
Red Rock renovation	2025	(\$4,000,000)
San Rafael renovation	2025	(\$1,500,000)
Smartphone application	2023	(\$535,600)
Southern construction services relocation	2023	(\$2,000,000)
Statewide campground improvements	-	(\$4,100,000)
Statewide sunshade structures	-	(\$2,233,333)
Statewide water conservation	2023	(\$1,339,000)
	2025	(\$1,339,000)
Yuma territorial prison renovation	2025	(\$5,945,000)

32. Reduces, from \$18,981,000 to \$16,481,000, the FY 2023 appropriation from the SHF to ADOT to rehabilitate pavement along U.S. Route 191 between Armory Road and East Safford.

33. Appropriates \$41,400,000 from the state GF in FY 2026 to ADOT for right-of-way acquisition, utility relocation, natural resource recovery and construction of an overpass at Riggs Road and SR 347.

Miscellaneous

34. Deems the following projects as having been favorably reviewed by JCCR:
- a) \$1,200,000 for AESF Board capital projects to replace the Arizona Veterans Memorial Coliseum's north parking lot asphalt and sundeck walking surface;
 - b) \$2,458,000 for outlined AGFD capital projects to:
 - i. replace the sewer system at the Ben Avery Shooting Facility;
 - ii. construct new bison-proof fencing in the House Rock Wildlife area near the north rim of the Grand Canyon in Coconino County;
 - iii. construct a well to irrigate fields that grow feed for wildlife at Quigley-Achee Wildlife area near Roll in Yuma County;
 - iv. replace water heaters with tankless systems at Horseshoe Ranch; and
 - v. upgrade the electrical circuits at the Horseshoe Ranch barn; and
 - c) \$1,409,000 to ADOT for a transfer from the following projects to fund a project shortfall for construction of a roundabout at the intersection of SR 69 and SR 169 in Prescott Valley:
 - i. \$500,000 from an interchange design at the SR 303 and Interstate 17 project; and
 - ii. \$909,700 from construction of a screen wall along the Loop 101 near 16th Street project.
35. Allows ADOA to spend up to five percent of all capital outlay appropriations, excluding distributions to nonstate agencies, for expenditures for project management of building renewal and capital projects.
36. Prohibits ADOA from spending any other capital outlay appropriations:
- a) on personal services or employee-related expenditures; or
 - b) for maintenance contracts on building components and equipment without JCCR review.
37. Prohibits any capital outlay appropriations from being spent for personal services or employee-related expenditures of state employees, excluding services provided as part of the Inmate Construction Program for correctional facilities.
38. Exempts, from lapsing until June 30, 2027, the FY 2022 appropriation of \$1,800,000 to ADOT to replace vehicle fueling facilities in Flagstaff, Holbrook and Kingman.
39. Makes technical and conforming changes.
40. Becomes effective on signature of the Governor.

Revisions

- Clarifies that the ADOA appropriation for building renewal is reduced by the difference between the appropriated monies and the balance in the COSF, if monies in the COSF are insufficient to fund the \$16,800,000 appropriation, rather than the \$19,000,000.

Prepared by Senate Research

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