

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

CHAPTER 319
HOUSE BILL 2868

AN ACT

AMENDING SECTION 41-792.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 4, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-794; REPEALING SECTION 41-1382, ARIZONA REVISED STATUTES; RELATING TO THE MANAGEMENT OF STATE BUILDINGS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-792.01, Arizona Revised Statutes, is amended
3 to read:

4 41-792.01. Capital outlay stabilization fund; authorization
5 for collection of rental; basis of payment;
6 report; distribution of monies collected;
7 transfer of payment; lease-purchase building
8 operating and maintenance fund; definition

9 A. The capital outlay stabilization fund is established which shall
10 consist of monies paid into it in accordance with subsections D and F of
11 this section and legislative appropriations to the account. All monies in
12 the fund are exempt from the provisions of section 35-190 relating to
13 lapsing of appropriations.

14 B. The director shall make a recommendation for the allocation of a
15 varying sum to the capital outlay stabilization fund each year. No part
16 of the fund may be expended without specific appropriation from the
17 legislature.

18 C. Each state department and each state agency when using space
19 under the jurisdiction of the department as prescribed in section 41-791
20 or when using space in a building leased to the state shall pay rental and
21 tenant improvement labor costs as prescribed in subsection D, E or F of
22 this section.

23 D. The rental rates authorized for agencies occupying state-owned
24 buildings shall be determined by the joint committee on capital review
25 after recommendation by the director before July 1 of each even-numbered
26 year. The rental is payable whether the state department or state agency
27 is funded in whole or in part by state monies. The department of
28 administration shall transfer the entire amount of the rental fee assessed
29 on a state agency from the agency account into the capital outlay
30 stabilization fund promptly at the start of each fiscal year. During the
31 remainder of the fiscal year, the department of administration shall
32 calculate pro rata adjustments to the rental fee on a monthly basis to
33 reflect any changes in the occupancy of state-owned buildings. The
34 department of administration shall transfer the amount of the rental fee
35 adjustment assessed on a state agency from the agency account into the
36 capital outlay stabilization fund. The rental fee authorized for state
37 agencies occupying state-owned buildings is the greater of the amount
38 included in each agency's annual operating budget as reported by the staff
39 of the joint legislative budget committee or the pro rata adjusted amount
40 based on actual occupancy. The director of the department of
41 administration may authorize an exemption for periods of one year or more
42 at a time for a state agency from the full payment account transfer
43 requirements of this subsection if the agency can demonstrate a practice
44 of making full payment of rent on a different basis necessitated by its
45 cash flow. If a state agency does not have the financial resources for

1 state-owned space, or does not occupy or vacates state-owned space after
2 the beginning of the fiscal year, the director of the department of
3 administration, ~~on recommendation of the joint committee on capital~~
4 ~~review~~, may authorize a whole or partial exemption from payment of the
5 rental fee. BEFORE AUTHORIZING A RENTAL FEE EXEMPTION, THE DEPARTMENT OF
6 ADMINISTRATION SHALL REPORT THE PROPOSED RENTAL FEE EXEMPTION TO THE STAFF
7 OF THE JOINT LEGISLATIVE BUDGET COMMITTEE.

8 E. The rental authorized for state agencies occupying ~~state leased~~
9 STATE-LEASED buildings shall be the greater of the amount included in each
10 agency's annual operating budget as reported by the staff of the joint
11 legislative budget committee or the pro rata adjusted amount based on
12 actual occupancy. The rental amount shall include the amount necessary to
13 pay the lease or lease-purchase obligation and may include the amount
14 necessary to pay operating costs associated with the lease-purchase
15 buildings. The rental is payable whether the state department or state
16 agency is funded in whole or in part by state monies. At the start of
17 each fiscal year, the department of administration shall transfer the
18 entire amount of the rental fee assessed on a state agency from the agency
19 account into the department of administration's funds established for the
20 purposes of this subsection. The department shall transfer from the
21 applicable state agency budgets to the lease-purchase building operating
22 and maintenance fund established in subsection I of this section amounts
23 necessary to pay all operating costs associated with a lease-purchase
24 building in the amounts reported by the staff of the joint legislative
25 budget committee. During the remainder of the fiscal year, the department
26 of administration shall calculate pro rata adjustments to the rental fee
27 on a monthly basis to reflect any changes in the occupancy of ~~state leased~~
28 STATE-LEASED buildings. The director of the department of administration
29 may authorize an exemption for a state agency from the full payment
30 account transfer requirements of this subsection for ~~one year~~ ONE-YEAR
31 periods or longer periods if the agency can demonstrate a practice of
32 making full payment of rent on a different basis necessitated by its cash
33 flow. If a state agency does not have the financial resources for ~~state~~
34 ~~leased~~ STATE-LEASED space, or does not occupy or vacates ~~state leased~~
35 STATE-LEASED space after the beginning of the fiscal year, the director of
36 the department of administration, ~~on recommendation of the joint committee~~
37 ~~on capital review~~, may authorize a whole or partial exemption from payment
38 of the rental fee. BEFORE AUTHORIZING A RENTAL FEE EXEMPTION, THE
39 DEPARTMENT OF ADMINISTRATION SHALL REPORT THE PROPOSED RENTAL FEE
40 EXEMPTION TO THE STAFF OF THE JOINT LEGISLATIVE BUDGET COMMITTEE.

41 F. The department OF ADMINISTRATION shall charge state agencies for
42 the full costs of labor services it provides to accomplish tenant
43 improvement projects within a building owned by or leased to the state.
44 Charges for this labor shall be deposited in the capital outlay
45 stabilization fund.

1 G. State universities, community colleges and the department of
2 transportation are exempt from the provisions of this section, except when
3 these state agencies are using space under the jurisdiction of the
4 department of administration.

5 H. The department OF ADMINISTRATION shall not begin to charge
6 rental or tenant improvement labor costs as prescribed in subsection D, E
7 or F of this section until July 1, 2012 for any buildings operated by the
8 secretary of state primarily for the purpose of storing, managing or
9 preserving a large amount of public records or archival material.

10 I. The lease-purchase building operating and maintenance fund is
11 established consisting of monies transferred into it in accordance with
12 subsection E of this section. All monies in the fund are exempt from the
13 provisions of section 35-190 relating to lapsing of appropriations.
14 Monies in the fund are subject to legislative appropriation.

15 J. For the purposes of this section, buildings leased by this state
16 through the sale and lease-back deficit financing mechanism are considered
17 state-owned buildings. STATE-LEASED BUILDINGS THAT ARE SUBJECT TO
18 SUBSECTION E OF THIS SECTION AND THAT MEET THE REQUIREMENTS OF SECTION
19 41-791, SUBSECTION B ARE SUBJECT TO SUBSECTION D OF THIS SECTION IN THE
20 FISCAL YEAR FOLLOWING THE RETIREMENT OF THE LEASE OR LEASE-PURCHASE DEBT
21 SERVICE FINANCING. ON OR BEFORE SEPTEMBER 1 OF EACH YEAR, THE DEPARTMENT
22 OF ADMINISTRATION SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE
23 AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING ON THE COST
24 ASSOCIATED WITH CHARGING RENTAL RATES TO STATE AGENCIES WITH RETIRED
25 LEASES OR LEASE PURCHASES FOR THE NEXT FISCAL YEAR.

26 K. For the purposes of this section, "state department" or "state
27 agency" means any department or agency of the executive or judicial branch
28 of state government.

29 Sec. 2. Title 41, chapter 4, article 7, Arizona Revised Statutes,
30 is amended by adding section 41-794, to read:

31 41-794. State agencies; capital projects; reports; exception

32 WITHIN THIRTY DAYS AFTER THE LAST DAY OF EACH CALENDAR QUARTER, EACH
33 STATE AGENCY SHALL SUBMIT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF
34 AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING A REPORT ON
35 THE STATUS OF ALL CAPITAL PROJECTS AND CAPITAL EXPENDITURES FOR WHICH
36 MONIES WERE APPROPRIATED TO THE STATE AGENCY, EXCEPT THAT THE DEPARTMENT
37 OF TRANSPORTATION IS NOT REQUIRED TO SUBMIT REPORTS PURSUANT TO THIS
38 SECTION FOR HIGHWAY CONSTRUCTION PROJECTS.

39 Sec. 3. Repeal

40 Section 41-1382, Arizona Revised Statutes, is repealed.

41 Sec. 4. Rental rates; state-owned buildings; fiscal year
42 2022-2023; exemptions

43 Notwithstanding section 41-792.01, subsection D, Arizona Revised
44 Statutes, as amended by this act, the capital outlay stabilization fund
45 rental rates for state-owned buildings in fiscal year 2022-2023 are \$17.87

1 per square foot for office space and \$6.43 per square foot for storage
2 space.

3 Sec. 5. Sale of state buildings; deposit; capitol mall
4 consolidation fund

5 Notwithstanding any other law, the proceeds from the sale of state
6 buildings located at 519 Beale Street in Kingman and 1919 West Jefferson
7 Street in Phoenix shall be deposited in the capitol mall consolidation
8 fund established by section 41-792.02, Arizona Revised Statutes.

APPROVED BY THE GOVERNOR JUNE 28, 2022.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 28, 2022.