

Capital financing for the state of arizona

[Finance](#)



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System of Capital Financing Used

The State of Arizona in United States uses a mixed system of financing which is based on the purpose of financing. Like with regards to higher education, the State of Arizona requires the colleges and universities in Arizona to have a funding structure that will be performance based. Soft Capital funding is used for K-12 schools. Rollover Repayment system is also in use in Arizona. Charter schools in Arizona are having two main issues, namely duplicate operational funding and duplicate capital funding. Hence, the Building Renewal Grant Funds are unavailable in these charter schools (Brewer, p. 1-19).

Availability of Project Financing Funding

Funding for project financing was an important consideration in the recently issued Budget for the State of Arizona. While deciding on the type of project financing funding availability, important factor that must be considered is that project financing funding depends on the cash flow needs. Hence, the amount of cash required in the project undertaken will guide in deciding about the type of project financing available.

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Funding Resources for Financing Capital Projects

Various funding resources are available for agencies to assist them in financing capital projects. They are:

- 1) Banking Department Revolving Fund.
- 2) Arizona Escrow Guaranty Fund.
- 3) Financial Services Fund.
- 4) ISA and IGA Fund.
- 5) Mortgage Recovery Fund.
- 6) Receivership Revolving Fund.

Authorized Debt

The State of Arizona imposes a limit on the amount of debt service. The amount limit is \$800 million for HURF debt. The requirements of revenue coverage ratio imposes limit on other types of debt offered in Arizona (Rowell, Buonincontri, & Semmens, 199, p. 13).

Alternative Financing of Capital Projects

The State of Arizona is open to use of alternative sources of financing for capital projects. One such example is the State of Arizona requiring an alternative financing for lease purchase of the State properties. The State will be achieving such financing requirement through issue of certificate of participation. It will be done in publicly operating debt market. Other innovative techniques used are:

1. State Infrastructure Banks.
2. Grant Anticipation Notes.
3. Advance Construction.

Autonomous State Authorities having major Capital Spending

Autonomous state authorities in Arizona work independently and make their

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own decisions. There are some autonomous State Authorities, not included in the budget that has major public capital spending. Arizona Health Care Cost Containment System (AHCCCS) is one such autonomous state authority which does major capital spending in the State of Arizona. Arizona Toll Ways is also another such State Authority which runs independently.

Other Public Capital Spending

Almost all the public capital spending is included in the State Capital Budget with the exception of Arizona Department of Transportation, which has major public capital spending in the State of Arizona but it is not included in the Capital Budget of the State.

References

Brewer, J. K. (2012). The Executive Budget: Fiscal Year 2013. Retrieved from <http://www.ospb.state.az.us/documents/2012/FY2013-ExecutiveBudget-Summary.pdf>.

Rowell, M., Buonincontri, R., & Semmens, J. (1999). Analysis of Bonding VS “Pay-as-You-Go” Financing. Retrieved from http://www.azdot.gov/TPD/ATRC/publications/project_reports/PDF/AZ470.pdf.