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Northern Arizona Council of Gov'ts  
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SouthEastern AZ Governments Org.  
Sun Corridor Metro. Planning Org.  
Western Arizona Council of Gov'ts  
Yuma Metropolitan Planning Org.

February 6, 2021

## RTAC LEGISLATIVE UPDATE

***ARLANDO TELLER RESIGNS FROM LEGISLATURE TO TAKE POSITION IN THE BIDEN ADMINISTRATION:*** Congratulations and best wishes to former state representative Arlando Teller who resigned from the state legislature last week to accept a role in the Biden Administration as the Deputy Assistant Secretary for Tribal Affairs for the U.S. Department of Transportation. Arlando has been a long-time advocate and friend to transportation stakeholders not only in the Legislature but in his previous positions on the State Transportation Board and as a deputy director of the Navajo Department of Transportation. ***CONGRATS AND WELL DONE MR. DEPUTY ASSISTANT SECRETARY!***

***BUSY TRANSPORTATION AGENDA AT STATE LEGISLATURE:*** Yesterday marked the end of the fourth week of session. The deadline for Senators to introduce bills was last Monday, the House deadline is this Monday. Bills will have two more weeks to clear their initial committee assignments. There has been a tremendous amount of activity concerning transportation infrastructure. Transportation projects have been prioritized for the use of one-time state general fund revenues and several bills have been introduced to raise ongoing transportation funding.

Of particular note, former Senate Transportation Committee Chairman and current Finance Chair David Livingston introduced SB1650, a comprehensive transportation revenue bill. It would raise fuel taxes one-cent every year from 2022 to 2045 and also annually adjust them for inflation. It would reform the local HURF distribution of fuel tax revenue so that Maricopa County and the municipalities within would be limited to 40% of the funding. This is the funding that is distributed directly to counties and municipalities for their local road systems and would not impact the distribution of funding on the state highway system. The bill also sets annual fees for alternative fuel vehicles including hybrids. A current challenge is that it also authorizes Maricopa County to take a renewal of the county transportation sales tax to the voters. The Maricopa Association of Governments (MAG) is developing a plan for that vote and not ready to advocate for specific details yet. The current one-half cent sales tax is set to expire in 2025. The bill authorizes the county to take the tax up to three-fourths of a cent but is also very prescriptive in how the funding can be used. MAG has been in the process of working with its member jurisdictions to develop a renewal plan including a current assessment of the needs, how

the funding should be used, and setting the tax rate to take to the voters. That process was not scheduled and will not likely be completed prior to the end of session. In addition, MAG and its member jurisdictions are also not likely to agree to many of the provisions that restrict local planning authority and how the funding shall be used. Discussions are ongoing.

The following is a summary of RTAC legislative priorities and their status with the legislature:

***NO HURF RAIDS:*** From 2000 to 2020, state lawmakers diverted over \$2 billion in Highway User Revenue Fund (HURF) revenues that would have otherwise been directed to highway and road infrastructure. The primary recipient of this funding has been DPS Highway Patrol, which by statute, should be limited to \$20 million a year. However, HURF raids often exceeded \$200 million. This practice was greatly reduced a couple of years ago with the enactment of a Public Safety Fee attached to annual vehicle registration renewals and set at an amount adequate to cover highway patrol's annual budget. However, a repeal of that fee is scheduled for July which will create an estimated \$161 million funding gap for the highway patrol budget. This lost revenue brings up the potential for a resumption of the HURF raids in next year's budget as lawmakers will need to fill this substantial funding gap.

***STATUS:*** *The Governor's budget proposal fills the Highway Patrol funding gap with general fund revenues. Provided the economy doesn't collapse and general fund revenues don't plummet, HURF appears relatively safe from transfers in next year's budget.*

***INDEX CURRENT REVENUES:*** State fuel taxes have not been adjusted since 1991. Inflation and better vehicle fuel efficiencies continually reduce their purchasing power. Over a thirty-year period, the decline is substantial. Annually adjusting fuel taxes, so that they at least keep up with inflation, will provide some immediate additional funding while also providing longer-term prevention against the massive infrastructure revenue/needs gap from continuing to grow larger.

***STATUS:*** *Senator Livingston's comprehensive bill, SB1650, includes adjusting fuel taxes for inflation annually. The bill was introduced last Monday, the last day for Senators to introduce bills and has been assigned to the Senate Transportation & Technology and Government committees. The bill will need to be heard by both committees within the next two weeks to meet the first committee hearing deadline. Also, new House Transportation Committee Chairman Frank Carroll introduced HB2436 which focuses solely on the annual indexing of the fuel taxes. HB2436 is scheduled for its first hearing this Wednesday, 2/10, in the House Transportation Committee.*

***USER EQUITY FOR ALTERNATIVE FUEL VEHICLES:*** Alternative fuel vehicles represent a small but growing percentage of the vehicles using our highways and roads. That use further diminishes HURF funding as their fuel sources are not currently taxed. Establishing fees and fuel taxes for alternative fuel vehicles, comparable to those paid by other vehicles, provides equity to all road users in addition to generating additional highway revenue. Also, it is far better to create a fee and tax structure for these vehicles before their widespread use rather than after.

***STATUS:*** *Senator Livingston's comprehensive bill, SB1650, includes annual fees for alternative fuel vehicles including hybrids. House Transportation Committee Chairman Frank Carroll introduced HB2437 which focuses solely on alternative fuel vehicle fees. It is scheduled for its first hearing this Wednesday, 2/10, in the House Transportation Committee.*

*Also, former House Speaker and current Senator J.D. Mesnard has introduced SB1108, a tax omnibus bill which includes annual fees for alternative fuel vehicles. SB1108 has already passed the Senate Finance Committee and is close to being ready for consideration by the full Senate.*

***INCREASE FUEL TAXES:*** Arizona has not raised fuel taxes since 1991. Our 18-cent rate is the 46th lowest in the country and just half of the 36-cent national average. 36 states have raised their fuel taxes in the last ten years, leaving us further behind. ADOT’s current long range transportation plan estimates the funding to needs gap on the state highway system at \$30.5 billion. Increasing existing fuel taxes or establishing other user fee-based revenue sources to address as much of the decades-old underinvestment gap as possible should remain a priority. ***STATUS: Senator Livingston’s comprehensive bill, SB1650, would increase fuel taxes by one-cent every year from 2022 to 2045.***

***DIRECT ONE-TIME FUNDING TO INFRASTRUCTURE:*** In recent years, lawmakers have prioritized directing one-time revenues to infrastructure projects and were on course to do so again last session prior to the pandemic. While economic and budget volatility remain, the state remains on course to have a substantial carry forward balance at the end of the year. If the surplus remains, prioritizing infrastructure investment for its use should remain a priority after insuring that existing HURF funding is not transferred from ADOT and local governments. RTAC continues to advocate for one-time funding to be directed at transportation. Our preference would be as a supplemental appropriation to HURF so that it would be funneled through the existing distributions and programmed and prioritized by the existing state, regional and local planning processes. While many lawmakers have acknowledged the importance of prioritizing, earmarking specific projects remains the prevalent direction preferred by lawmakers. ***STATUS: The most current state budget forecast estimates a \$2 billion carry forward balance much of which will be one-time in nature. Capital improvement projects are ideal for one-time funding. To date, 29 bills have been introduced that would appropriate roughly \$284 million to infrastructure projects across the state. In addition to highway and road projects, the list includes \$20 million for airports and \$10 million for rural broadband grants.***

An updated transportation bill matrix outlining each bill impacting transportation infrastructure and its status, along with a list of all the bills directing one-time funding to infrastructure projects are attached.