



Rural Transportation Advocacy Council

Linking Arizona to the Global Economy

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May 18, 2020

RTAC LEGISLATIVE UPDATE

STATE TRANSPORTATION BOARD RECEIVES GRIMMER REVENUE OUTLOOK:

While still dealing with a tremendous level of unknowns, ADOT updated their revenue forecasts on Friday and provided recommendations to the State Transportation Board to adjust the state's five-year construction program to meet the new fiscal reality. ADOT now anticipates a \$711M loss in revenue over the next three years compared to the \$385M loss projected last month which covered a two-year span. Last month's estimates also triggered the deferment of \$155M in scheduled Highway User Revenue Fund (HURF) bonds which combined with the new lost revenue estimates brings the new total fiscal impact to \$866M. Losses are anticipated beyond 2022 but the Department expects the bulk of the impact to occur over the next three years.

ADOT is proposing the following modifications to the State's construction program for Fiscal Years 2020-2022 which the State Transportation Board may vote on at their next regularly scheduled meeting on June 19th. The proposals will also likely be discussed at the Board's study session on June 2nd:

- \$10M cut in operating costs.
- Postpone I-17 (Anthem to Sunset Point) and return \$90M INFRA Grant.
- Convert SR189 (Nogales) to more formula funding and return \$25M TIGER Grant.
- Suspend Parks, Public Private Partnership, State Design & Grant Application costs.
- Suspend the HURF Exchange Program through Fiscal Year 2022.
- Fund remaining shortfalls with State Highway Fund (SHF) reserves which may impact the State's bond rating.

The INFRA and TIGER grant returns would result from the inability of the state and locals to no longer deliver on match requirements. There has been a strong effort on the part of national and Arizona transportation stakeholders to direct COVID-19 relief to states, regions and local governments by several means including funding to offset transportation revenue losses and also greater flexibility with federal funding to include the waiving of state and local match requirements. As evidenced by ADOT's proposed actions, waiving match requirements is an extremely important part of that ask jeopardizing \$115M in already awarded funding as well as the ability to pursue further federal funds.

As SR189 construction is already underway, in all likelihood, it will continue but a \$77M project deficit will need to be addressed. Deferring two other projects, on US93 near Wickenburg and SR77 outside of Tucson, were suggested as an option. This would keep SR189 on track but eliminate the other two projects. It would also not enable ADOT to retain the TIGER Grant

funding as the revenue from the other two projects is federal and ineligible for use as the needed match funding. While this is the current recommended option, ADOT did not rule out cancelling or modifying the SR189 project which greatly impacts the economic competitiveness of the Nogales port-of-entry.

The I-17 widening from Anthem to Sunset Point, including the flex lane additions, is in greater jeopardy. In addition to potentially losing the \$90M INFRA Grant funding, the \$130M directed from last year's state budget was from anticipated growth in the State Highway Fund (resulting from Highway Safety Fee revenue) rather than a direct appropriation which will evaporate if the adjusted revenue forecasts hold true. The outlook for I-17 is greatly dependent on COVID-19 relief, both waiving the federal grant match requirements and federal funding to offset the state and regional transportation revenue losses.

For the ADOT five-year construction program update, which will cover fiscal years 2021-2025, Greater Arizona is expected to lose \$584.6M in funding over the five years. The proposed plan is to eliminate all new construction except for a US95 widening that supports the Yuma Proving Ground (YPG) which was paid for with a legislative General Fund appropriation last year and a \$1.25 million utility relocation project on SR69 in Yavapai County. The budget for modernization projects will also be reduced. The remaining balance will result in a further inadequate, diminished level of preservation funding and further deterioration of bridge and pavement conditions across Greater Arizona.

STATE COALITION URGES THE PRESIDENT AND CONGRESS TO PROVIDE TRANSPORTATION RELIEF TO STATES AND LOCALS: A coalition of Arizona private and public sector groups including RTAC are urging federal lawmakers to take proactive measures to protect transportation infrastructure in the next COVID-19 federal relief package. The potential drastic impacts described above at the state level will also play out at regions and local governments across Arizona if no relief is provided. Recommendations are:

- Provide a \$49.95B infusion of federal funding to state DOTs.
- Appropriate adequate funding to ensure all federal, state, regional, county, and municipal infrastructure programs are held harmless from transportation revenue losses due to the COVID-19 crisis; that such funding has flexibility enabling it to be directed according to state, regional and local priorities including maintenance; that it has no local match requirement; and that it can be used as match funding for other federal transportation dollars.
- Extend funding obligation timelines.
- Streamline federal processes that slow project development, design, and construction.
- Ensure that state and local governments are made whole to prevent shortfalls that may lead to sweeps of dedicated infrastructure investment funds, including the HURF.
- Reauthorize the FAST Act for at least six years and significantly increase the funding for all surface transportation programs with an emphasis to complete critical projects that have been publicly vetted, prioritized and are in the pipeline.

Please join the effort and urge federal lawmakers to pass the vital measures listed above. Please do not hesitate to contact Kevin Adam at RTAC, kadam@rtac.net, (480) 577-7209 if you have any questions or want further information about the coalition. I will forward the ADOT Board presentations on revenue estimates and the five-year program once they are posted.