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June 19, 2020

RTAC LEGISLATIVE UPDATE

STATE TRANSPORTATION BOARD DEFERS FIVE-YEAR PROGRAM UPDATE TO OCTOBER: With the hope and expectations of a better revenue outlook by the Fall, ADOT recommended and the State Transportation Board concurred with delaying the program update which had been scheduled for today's meeting. The other alternative was to make drastic adjustments to the program based on revenue projections that are now expected to improve and become more accurate in a couple of months. ADOT will condense and accelerate their annual revenue forecasting process and develop a recommended program update for review at the Board's September 18th meeting with an expectation of formal approval at the following meeting on October 16th.

In the interim, some relatively smaller adjustments to the current program will occur. ADOT will honor all existing HURF Exchange projects currently in regional Transportation Improvement Programs (TIPs) but will likely not award any further projects in the short term. A more definitive recommendation will likely be offered at the Board's September meeting. The HURF Exchange program currently utilizes \$15.3 million annually in state-generated HURF revenues. Board Members Steve Stratton and Jesse Thompson expressed the importance of the program to rural areas, their hope to avoid a messy suspension and restart process, and the possibility of a compromise with less funding rather than a complete suspension. Two projects near Tucson and Wickenburg have been deferred indefinitely in order to keep the SR-189 project in Nogales on schedule without modifications. That additional funding from those two projects was needed to offset the loss of a \$25 million federal TIGER grant for SR-189 which will need to be returned due to the inability of the state to fulfill its local match requirements for the grant. ADOT hopes to keep a similar \$90 million federal INFRA grant for I-17 which faces a similar local match challenge, but has until the end of 2022 to find a solution and use the funding.

Current data already suggests a better outlook than the earlier COVID-19-adjusted forecast of a \$711 million HURF funding loss which was estimated prior to the availability of the April HURF collection numbers. For April, there was a 38% reduction in fuel tax collections, a 1.7% loss in diesel taxes and a 24% reduction in vehicle license tax revenues. This amounted to a \$33.4 million loss from pre-COVID-19 forecasted numbers but was 6.7% better than the COVID-19-adjusted estimate provided to the Board on June 2nd. The current HURF outlook is still not nearly as improved as the State General Fund's but is still trending upwards. Earlier today, the legislature's budget staff adjusted their projected state revenue losses from \$1.1 billion to \$708 million. As with HURF, forecasting future losses is greatly complicated by COVID-19 but the initial impacts have clearly not been as high as originally predicted.