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MetroPlan Greater Flagstaff
Northern Arizona Council of Gov'ts.
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Sun Corridor Metro. Planning Org.
Western Arizona Council of Gov'ts.
Yuma Metropolitan Planning Org.

January 16, 2023

RTAC LEGISLATIVE UPDATE

The first week of the new legislative session ended with a reaffirmation of the highly anticipated conflicting agendas of Governor Hobbs and Legislative Leadership. The Governor's \$17.1 billion budget proposal places a heavy emphasis on education investment and reforms. Other priorities for the Governor include a new child tax credit for low-income parents, tax cuts on diapers and feminine hygiene products, further housing assistance, a \$250 million deposit into the Rainy Day Fund, and pay raises for state employees.

The Legislature's majority leadership have released their plan to first pass a "continuation" budget which would extend existing state spending levels with formulaic and inflation adjustments, then negotiate on the use of remaining available revenue.

While differing priorities and proposed processes are problematic, available funding looks very good. The revenue outlook remains historically strong as the State has already amassed a very sizable carry forward balance from last year which, to date, continues to be augmented with revenue collections from the current year that continue to substantially outpace forecasts. The carry forward balance from FY2022 is \$4.71 billion. On top of that, current state fiscal year collections are now projected to be \$1.48 billion higher than predicted at the start of the year. Through November, collections were 10.8% higher than they were at the same time the previous year. Bottom line, lawmakers will have substantial levels of revenue to work with when setting next year's budget.

However, overall, this is likely to be an extremely challenging year at the state capitol. This will be the first effort to enact a state budget under split partisan control in over a dozen years. As with the Governor, the majority and minority legislative leadership posts have substantially changed including a new Senate President and House Speaker, which will likely result in transitional challenges for all. We will also have new chairs of the Appropriations and Transportation oversight committees in both chambers. Changes aren't limited to leadership as over 50% of both the House and Senate consist of new members. While Republicans retained control of the Legislature, they will continue to have the narrowest of margins (31-29 in the House, 16-14 in the Senate), a very difficult scenario to pass bills and, now more relevant, nowhere near the margins needed to override a veto. All of these factors will not just create a very difficult session, it will also be highly unpredictable.

Fortunately, further infrastructure investment continues to receive a high level of bipartisan support. Lawmakers on both sides of the aisle have recognized the decades of under-investment and its impact on our transportation infrastructure. Much of the available State General Fund revenue is one-time in nature which is an ideal fit for capital improvements. Last year, lawmakers directed over \$1 billion in one-time funding to transportation projects across Arizona. While the Legislature remains highly unlikely to increase HURF revenues, such as a fuel tax increase, there appears to be a lot of support to once again direct one-time funding to targeted projects.

As with last year, the Rural Transportation Advocacy Council (RTAC) will be pursuing a sort of hybrid approach for the additional funding combining both programming principles and legislative earmarking. Legislation will be introduced by Representative Tim Dunn, the Chair of the Rural Legislator Caucus, that will include a list of priority transportation projects from across Greater Arizona as vetted and selected by all of the rural regional transportation planning organizations. These are projects submitted by local governments across Greater Arizona and ultimately selected by the mayors, councilmembers and county supervisors serving on the governing boards of these regional planning organizations. Several projects located on tribal lands were also selected this year.

The revenue opportunities of recent years are unique and certainly not permanent. With the massive backlog of construction, modernization and maintenance needs across the State, we must be proactive to insure that directing available General Fund revenues to the infrastructure remains a priority while this funding remains an option. Please continue to deliver that message to your lawmakers.

Attached to this report, you will also find the first transportation bill matrix of the Session. We will continue to see this list expand over the upcoming weeks as more bills are introduced. An updated matrix including bill descriptions and status will be sent out weekly for the duration.

Last, but certainly not least, another major transition occurred at the Arizona Department of Transportation as we will have a new director for the first time in over a decade. Thank you to John Halikowski for your years of service at both ADOT and on the staff of the Arizona House of Representatives. Also, congratulations to Jennifer Toth for your selection as the new Director! Jennifer returns to ADOT after serving as the Director of the Maricopa County Transportation Department. She was previously the ADOT Deputy Director and State Engineer. I know that many across Greater Arizona, including myself, have had tremendous experiences working with Jennifer in her various private and public sector positions over the years. Welcome back!