

## **DISTRIBUTION OF THE ARRA SUBALLOCATION FUNDING TALKING POINTS**

- After various discussions with FHwA and ADOT staff, it has become clear that no further guidance on the distribution of the suballocated funding will be coming from FHwA.
- Both FHwA and ADOT staff have indicated that there is no state discretion for the funding allocated to areas above 200,000 in population. Of the \$156 Million total suballocated funding for Arizona, the federal law requires \$89 Million or 57% to be distributed to the Phoenix-Mesa area and \$22 Million or 14% to be distributed to the Tucson area. This mandate alone guarantees that the Phoenix and Tucson areas will receive at least 71% of the suballocated funding.
- The remaining balance is \$46 Million or 29% of the total. This is divided into two pots of money, \$35 Million for areas between 200,000 and 5,000 and \$11 Million for areas under 5,000. According to FHwA, the state has considerable discretion in how this funding is distributed.
- All indications are that the ADOT Administration will continue to propose that substantial portions of the \$46 Million also be distributed within the MAG and PAG regions in addition to the funding that they will already receive from the over 200,000 allocation. At the Bullhead City Board meeting, ADOT recommended that MAG receive an additional \$16 Million from that \$46 Million pot and that PAG receive an additional \$14 Million. This leaves a total of \$15 Million for the 13 other counties.
- Based on the above, including ADOT's recommendations for the discretionary \$46 Million, the entire \$156 Million of suballocated funding would be distributed as follows:

MAG	\$105 Million	67%
PAG	\$36 Million	23%
TOC	\$15 Million	10%

- The thirteen other counties would receive 10% of the funding and have roughly 25% of the population.
- It appears that ADOT's rationale will be that this is consistent with previous allocations of federal STP funding that was factored into the setting of the RAAC formula.

- While the stimulus package essentially uses the STP formula as the basis for distributing the suballocated funding, the intended use of the funding is different. While STP traditionally enables state's to retain significant portions of the funding, the clear intent of Congress was for this money to be used for local transportation projects. As this is considerably different than the historical use of STP funding, one could argue that previous distributions of STP funding should not apply to the stimulus funding.
- As roughly \$110 Million of the \$156 Million is already mandated to go to MAG and PAG, there is not enough remaining suballocated funding to bring the rurals up to 50% of the total.
- For the suballocated funding, the rurals can do no better than 29% which would require the full discretionary \$46 Million being allocated to the rurals.
- To bring the rural portion up to at least their percentage of the state population (estimated at 25%) would require roughly \$39 Million of the discretionary \$46 Million being allocated to the rurals.
- Either one of those levels is within your discretion to allocate and would be far greater than the level currently proposed for rurals which is \$15 Million or 10% of the funding.
- As the rural level for the state project funding (\$176 Million of the \$350 Million) is already set at 50%, rurals will receive less than 50% of the total stimulus package highway funding as they can do no better than 29% of the suballocated funding. They would obviously need half of that pot to make the overall total 50%.
- While not a highway issue, you may wish to link the transit funding to the discussion as there will be a great disparity in stimulus funding allocations for transit. Of the \$95 Million provided to Arizona for transit, I believe the rural allocation is around \$7 Million.