



RTAC LEGISLATIVE UPDATE

May 4, 2009

The Senate Appropriations Committee is scheduled to meet tomorrow to consider a new package of budget bills based on the efforts of leadership to craft a budget that will adequately address the anticipated structural deficit for Fiscal Year 2010.

House and Senate leadership released independent plans about a month ago that were both short of the anticipated \$3 Billion shortfall for next year. Last week, they jointly released a new proposal that would generate another \$500 million in balancing measures. The plan includes sweeping \$300 Million from school districts deemed to have excess cash reserves and \$210 Million in impact fee revenue to be taken from cities and towns. While the level of support for either measure is unknown, their addition would bridge most of the funding gap found in both of the earlier budget proposals. Even if balanced on paper, a proposal would still need to be enacted by the Legislature and Governor. Opposition exists for both of the two new measures as well as some of the proposals found in the earlier budget drafts.

In addition to passing a budget for Fiscal Year 2010, the Legislature will also need to address a deficit in the current year that has been estimated at \$500 Million but could be adjusted to as high as \$800 Million based on the most recent revenue collections.

The State anticipates having approximately \$1.7 Billion available from the Federal stimulus legislation to help fund the shortfalls and recently passed bills to enhance the state's eligibility for some of this funding. It is anticipated that the State's deficit for the current year will be fully funded with the stimulus funding and the remaining balance will be used for Fiscal Year 2010. The remaining shortfall will likely be addressed with a combination of agency cuts and fund sweeps.

For transportation, a wide variety of fund sweeps is anticipated that will potentially include the Highway User Revenue Fund (HURF), the State Aviation Fund, and the Local Transportation Assistance Fund (LTAF & LTAF II). One proposal would fund part of the State's Motor Vehicle Division with HURF rather than the State Highway Fund. This would amount to over a \$50 Million loss of local HURF revenues that are allocated to local governments for local street projects.

Already during the current Fiscal Year, ADOT has lost \$405 Million in transportation revenue due to budget adjustments. In addition, revenue collections are down significantly. Through March of this year, HURF collections are down \$68 Million or 6.8% from last year's levels.

As a result, significant reductions in highway spending are anticipated when ADOT updates its five year construction program. A draft proposal already submitted to the State Transportation Board includes no new construction projects in rural Arizona in the new year of the next plan (2014) and the elimination, delay or scaling back of projects already in the program. In addition, many of the subprograms will also receive funding cuts including pavement preservation and other maintenance activities.

I will keep you updated on further developments with the budget and the highway construction program. In addition, I have attached an updated transportation bill status report. As previously indicated, the outlook for all non-budget bills is very bleak. Virtually all of the legislative work this session has focused on the budget. In fact, the Senate has yet to assign or hear regular session bills in committee. As we are more than 100 days into session, all non-budget committee hearing deadlines have passed. In all likelihood, there will be little opportunity for non-budget bills to pass. Some could work their way into the language of the budget bills. For others, leadership could develop a relatively short priority list and waive the procedural requirements for their consideration.

In other news, this afternoon, interim ADOT Director John Halikowski received a recommendation from the Senate Natural Resources, Infrastructure & Public Debt Committee to the full Senate to be confirmed as the next Director. A vote by the Senate should occur in the very near future.