



RTAC LEGISLATIVE UPDATE

March 19, 2009

The following is an update on the status of the stimulus highway funding for Arizona. The State will receive approximately \$522 Million in highway funding as a result of the package. Roughly \$350 Million will be allocated to state highway projects. After some debate and a couple of efforts to stray from distributing this funding through the Casa Grande formula, the State Transportation Board formally decided to uphold Casa Grande which means roughly \$176 Million or 50% of this money will fund state projects outside of Maricopa and Pima Counties (the "thirteen other counties"). The specific list of projects was finalized and approved by the Board at their meeting last Friday, March 13th. That list was e-mailed to you from RTAC last Thursday, March 12th. Please contact me if you need it resent.

In addition to \$16 Million for enhancement projects, the remaining balance of \$156 Million is designated as suballocated funding and intended for local projects. The stimulus act requires much of this funding to be distributed using the federal Surface Transportation Program (STP) formula which is very population-oriented and also provides preference to urbanized areas over 200,000 in population. The legislation and direction from the Federal Highway Administration made it very clear that the Phoenix and Tucson areas would be required to receive no less than \$110 Million of the funding. The State has a considerable level of discretion for distributing the remaining \$46 Million. At the State Transportation Board meeting last month, the ADOT staff provided an option that would have provided \$17 Million out of the \$46 Million to the "thirteen other counties" or roughly 11% of the total local funding. At that time, the Board indicated that, to the fullest extent allowable by the stimulus act, they wanted the "thirteen other counties" to receive 50% of the funding.

At the Board meeting last Friday, the state discretion concerning the \$46 Million was discussed and reaffirmed, but ADOT staff indicated that the discretion was for the ADOT Director rather than the State Transportation Board and that it was his intention to limit the "thirteen other counties" allocation to roughly \$17 Million. The justification provided was that the \$17 Million is consistent with the traditional allocation of STP funding that the state receives annually from the federal government. The STP allocations, along with the other non-discretionary sources of funding, were factored into the setting of the Casa Grande formula, and in order to adhere to Casa Grande, the State would need to stay consistent with how they distribute all of the various pots of funding. While the suballocated funding was discussed substantially, no formal action was taken. However, it is anticipated that further direction from ADOT will be disclosed shortly including the geographic allocations and the specific projects to be funded. Based on the direction of last Friday's meeting, it is expected that the "thirteen other counties" allocation will be roughly \$17 Million. The projects will be selected based on the priorities designated through the very recent amendments to your regional transportation plans.

Insuring that distribution decisions consider all funding sources is very appropriate. In fact, most attacks on the "thirteen other counties" allocation of highway funding almost always involve trying to single out the level of discretionary funding that they receive, which is 50%, rather than looking at their percentage of the overall highway funding. MAG may only receive 37% of the discretionary funding, but according to ADOT, they receive roughly 55% of the total funding when the discretionary and non-discretionary funding are combined. It is clearly in the best interest of rurals for distribution decisions to be based on all of the funding sources contributing to highway revenue and for distribution consistency with each source.

However, in this instance, it could also be argued that the suballocated funding is a new, potentially one-time funding source with a purpose different than the traditional annual STP funding that the state receives. While Congress is using much of the STP formula to distribute the money, it will fund local transportation projects that typically do not receive direct federal funding rather than the more traditional STP state and regional projects. As this is new funding with a new purpose, it can be argued that past STP allocations are irrelevant to staying consistent with Casa Grande.

I will keep you updated on further developments. Please do not hesitate to contact me if you have any questions.