



Rural Transportation Advocacy Council

Linking Arizona to the Global Economy

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April 1, 2020

RTAC LEGISLATIVE UPDATE

STATE BUDGET ENACTED, LEGISLATOR RETURN UNCERTAIN: The Governor signed the “skinny budget” bills on Saturday (March 28th) assuring that a budget is in place for the upcoming state fiscal year starting on July 1st. With few exceptions, the bills essentially extend current funding levels for state agencies and programs for another year. The big addition was a \$50 million Coronavirus response package. One-time funding for transportation projects and a compromise to House Transportation Committee Chairman Noel Campbell’s transportation revenue legislation were not included.

The Legislature recessed until April 13th leaving a considerable amount of work left on regular session bills. With the timeframe for social distancing requirements continually being pushed out further, a return to the Capitol looks highly doubtful for April 13th. Prior to recessing, both Chambers approved remote voting but leadership’s strong preference is to use it as a last resort and preferably not in scenario that includes all members. We are clearly in uncharted territory and the future of the session and to what extent they will resume activity remains very much in question.

When the Legislature reconvenes, they will also need to adjust to what will likely be a very different revenue outlook. Revenue collections had been very strong all year and were trending towards 10% growth and a sizable surplus. That will change as tax collections are expected to plummet, yet it remains to be seen to what extent and for how long. State and federal transportation funding sources will not be immune to the changes as fuel tax collections will also drop. INRIX just reported that road traffic decreased 38% last week.

Fortunately, the State has over \$1B in its rainy day fund account which if needed, should mitigate any pressure to raid other funding sources such as HURF in the event of a future revenue shortfall. However, if the current year’s surplus substantially evaporates, the legislature is also less likely to resume their efforts to appropriate one-time funding for transportation projects.

The future of Chairman Campbell’s bill, HB2899, also remains uncertain. A compromise was being sought for inclusion in the budget which did not occur. All three main elements of the bill; a fuel tax increase, alternative fuel vehicle taxes and fees, and indexing remained in the compromise discussion. There was also talk about linking any revenue increases to proposed tax cuts that would offset one another creating a revenue-neutral scenario eliminating the super-majority requirement for bills increasing state revenues.

A tax cut package was also not included in the budget so it also remains on the agenda of unfinished business and could still potentially be linked to new transportation revenues. However, the extent of any further legislative activity this year will be largely dependent on when the Legislature reconvenes; the scope and time they provide to conduct further business; the changing revenue outlook; and any further spending pressures from the State's Coronavirus response.

I'm attaching two bill matrices. The first covers the final disposition of the transportation budget bills. The second provides the current status of all the transportation infrastructure-related bills at the time the Legislature started its current recess.

PRESIDENT TRUMP, SPEAKER PELOSI PUSH FOR FEDERAL INFRASTRUCTURE

STIMULUS PACKAGE: Over the last couple of days, both President Trump and Speaker Pelosi have called for a \$2 Trillion economic stimulus package which would include a major infrastructure component to boost the economy as massive lay-offs and record unemployment levels are anticipated. While there have been numerous calls for large-scale infrastructure revenue plans in the recent past, the more than a decade-old question of how do you pay for it has always derailed those efforts. The Coronavirus response could make the difference as the virtual shutdown of the nation's economy could require bold action for an economic jump start and Congress has already passed three substantial Coronavirus-related relief bills. Despite the President's support, GOP congressional leaders Senate President McConnell and House Minority Leader McCarthy have expressed caution and a "wait and see" approach to the need for a fourth relief bill. Congress will reconvene on April 20th. House leadership is already drafting an infrastructure stimulus bill and economic pressures could drive it to the top of the agenda when they return to Washington. In all likelihood, a fourth relief bill will include infrastructure funding.