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October 1, 2020

RTAC LEGISLATIVE UPDATE

SHORT-TERM APPROPRIATIONS & TRANSPORTATION AUTHORIZATION

ENACTED: By an 84-10 vote late yesterday, the Senate passed, and around 1:00 AM, the President signed a continuing resolution keeping the federal government funded at current levels through December 11th. The legislation also included a one-year extension of the FAST Act which has authorized federal surface transportation programs for the last five years. Both were set to expire yesterday, and the legislation prevents a government shutdown which would have started today. For transportation, the continuing resolution and extension will prevent a disruption to distribution timing and the funding levels of federal transportation dollars to states and locals.

The continuing resolution roughly covers the first 20% of the new federal fiscal year that started today and necessitates a lame duck congress taking action to continue appropriations beyond December 11th when they return following the November 3rd election.

The one-year FAST Act extension likely means that work on a longer-term five-year bill will occur after the new Congress is sworn in this January and will provide next year's Congress up to next October to take action. The extension also transferred \$10.4B to the highway and \$3.2B to the transit accounts of the Highway Trust Fund to insure that the Fund will have the means to pay for federal transportation programs likely for the duration of the new federal fiscal year.

WORK CONTINUES ON RELIEF FUNDING: Enacting the next round of COVID-19 relief funding remains elusive. House Speaker Nancy Pelosi and Treasury Secretary Steve Mnuchin continue to lead negotiations towards a bipartisan agreement. While they appear to be inching closer towards a consensus and are scheduled to continue discussions today, it will become increasingly difficult to reach an agreement before election day the closer we get as campaign pressures and polarizing partisanship will grow substantially thru October.

On Monday, the House introduced a scaled back version of their previously passed relief bill titled the HEROES Act lowering the costs from \$3.4T to \$2.2 T. Earlier this month, the Senate failed to pass a \$650B proposal offered by Senate leadership. Since then, negotiations have continued, and yesterday, Secretary Mnuchin indicated that the White House is willing to support relief costs up to \$1.62T while Speaker Pelosi maintains support for the \$2.2T level.

Unfortunately, the earlier momentum for the inclusion of highways in the next relief round has dissipated as negotiated funding levels have lowered. The original HEROES Act provided \$15B for lost state-generated highway and road funding. None of the Senate proposals have included highways and Monday's scaled-down House bill also eliminated the highway funding. The bill does include an additional \$32B for transit, roughly \$28.5B for airlines and their contractors, \$13.5B for airports, and \$2.4B for AMTRAK. Also absent from the bill is a waiver of state/local match requirements for next year's federal transportation dollars which would provide significant state/local relief without adding any costs to the federal government.

The American Association of Highway and Transportation Officials (AASHTO), which represents all of the state departments of transportation, estimates that lost state-generated transportation revenues nationwide from the pandemic will be \$37 billion including \$16 billion this year. ADOT's latest forecast estimates a roughly \$500 million loss of HURF revenues over the next five years. Any federal assistance would help mitigate the losses to the state's five-year construction program which was already grossly underfunded prior to the pandemic.

If further relief happens, it appears that unemployment assistance, business payroll protection, another round of individual stimulus payments, housing protections and state/local government assistance will be included. The funding levels, particularly for state and local governments, appear to be the biggest point of contention. While there has been much opposition among Senate Republicans, the White House has indicated some willingness to compromise but not to the levels pushed by House Democrats. Any compromise deal reached by leadership would still need adequate votes by Senate Republicans and House Democrats, who control their respective chambers, to be enacted.

However, there is also mounting pressure to do something as fears grow about the economic impact of continued inaction. Stay tuned for further updates. If relief funding happens this month its likely to be sooner rather than later.