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RTAC TRANSPORTATION UPDATE

May 3, 2017

2017 Legislative Update #7

BUDGET BILLS INTRODUCED, ADJOURNMENT IS LIKELY NEAR: Budget bills started to move through the legislative process earlier this morning with the likely possibility of enactment by the end of the week followed shortly by adjournment.

The budget proposal calls for a \$9.8 billion spending plan with a \$24.7 structural balance. Recent revenue forecasts indicate a continually growing fund balance over the next three years but to a lesser extent than earlier anticipated.

Without a sizable carry forward balance to work with as the Legislature had last year, there was limited revenue available for new spending and much of it is proposed for education priorities. Of major significance to local governments, the budget includes a capital improvement bonding program for the universities but does not fund it through the Governor's proposed sales tax recapture mechanism that would have impacted shared revenues. The program will be funded through direct appropriations from the state general fund starting in FY19.

For transportation, the Governor had proposed using roughly \$108 million in transportation-related funding to pay for DPS highway patrol operations, essentially the same as last year's levels. The budget plan under consideration now slightly expands those levels mostly through an additional \$3.4 million in HURF revenues for a DPS retirement adjustment bringing the total level of transportation funding directed to DPS to roughly \$112 million. The breakdown is as follows:

- \$99.4 million from the Highway User Revenue Fund (HURF)
- \$7.6 million from the State Highway Fund (SHF) which is ADOT's portion of HURF
- \$3.3 million for the DPS Parity Compensation Fund which is funded by SHF
- \$1.6 million from the Safety Enforcement & Transportation Infrastructure Fund (SETIF) which is funded thru commercial trucking fees at the international border.

By statute, counties and municipalities receive 49.5% of the HURF revenue collections for the maintenance and development of local road systems. To offset much of the local revenue losses from the DPS transfers, the budget proposal restores \$30 million to the local and regional road systems. A similar restoration was included in last year's budget. With the lack of a budget surplus and limited available revenues, securing the funding for this restoration was far more problematic this year than last. Several legislators, particularly the Rural Caucus, comprised of rural legislators from across the State, made it their priority to keep the local HURF funding restoration in the budget. With the relative lack of available new funding, a \$30 million transfer from the balance of the ADOT HELP Loan Program is proposed to pay for the funding restoration. The HELP Loan Program is a state infrastructure bank that provides loan and financial assistance for highway projects that can be utilized by ADOT and local governments but has not been used since 2008. Similar restorations with increased amounts are planned for two and three years out.