

Government Affairs Update

May 21, 2021

Since a lot has happened this week...here is a brief legislative update to last week's government affairs newsletter (which is also included below)!

Legislative Special Session

The Utah Legislature gathered Wednesday in a special session to address a variety of issues, but primarily to accept and begin appropriating the roughly \$1.5 billion dollars coming to the state in American Rescue Plan Act (ARPA) Funds. The Executive Appropriations Committee ([EAC](#)) met and [outlined](#) how the funding would be allocated into each respective topic area 'bucket'.

As we noted to you earlier, the Legislature and Governor developed principles for the use of these ARPA funds, which generally reflect a cautious approach to the use of the funds, so as to avoid creating additional inflationary pressures or new ongoing obligations, and to make long-term, transformative investments. This judicious approach also reflects the relative strength of Utah's economy and the current economic uncertainties. As Speaker Wilson noted, "Decisions of consequence that are irreversible should be made slowly." As such the Legislature appropriated only approximately one-third of the ARPA funding, deferring final decisions on the remainder to the next general legislative session in 2022. As a reminder, the ARPA funds need to be obligated by December 31, 2024, and expended by December 31, 2026. This is also true for the approximately \$1.1 billion in ARPA funds that are going to local governments.

Appropriations

- Of the total funding, the legislature [appropriated](#) approximately \$540 million in [SB1001](#). Significant appropriations include \$100 million to backfill the state's unemployment fund, \$100 million for water development and conservation grants, \$90 million for a mental health facility at the University of Utah, \$45 million to state network enhancements and rural broadband, and replacing nearly \$50 million of state General Fund dollars previously appropriated for COVID-19 expenses.

Local Grant Programs

- Also appropriated in SB1001 is \$35 million for an affordable housing grant program to be administered through the Governor's Office of Economic Opportunity, or Go Utah (GOED). The grant program is intended to create incentives for municipalities to redevelop and rezone current commercial, retail, or industrial vacant land to a zone that will allow higher density housing (specifically a minimum of 8 units/acre). The program allows for up to a \$2.5 million match to municipality dollars that will or has been spent on a qualifying project.
- In addition to these amounts the legislature appropriated \$50 million of ARPA funds and passed [HB1004](#), which creates a matching grant program for local governments. The program is to be administered by the Governor's Office of Planning and Budget (GOPB), with a grant review committee compiled of Senate, House, GOPB, ULCT, and UAC appointees. The specifics of the award amounts and the matching requirement are still to be determined, but we do know that the grant is for local governments to: (1) address the impacts of COVID-19 on housing insecurity, homelessness, and lack of affordable housing, (2) offset costs incurred to address public health challenges with the COVID-19 pandemic, (3) invest in sewer and water infrastructure, and (4) be used for any other ARPA-eligible uses.

Transportation and Infrastructure

- Lastly, the legislature passed [HB1008](#), Bond Authorization Amendments, which

does not increase, decrease, or eliminate the authorized bonding in [HB433](#) (2021 General Session), but simply swaps which transit projects will be bonded for, allowing a greater portion of the authorized bonds to be put towards double-tracking of FrontRunner. Other smaller transit projects which were to be bonded for will now be paid for with cash. This is mainly an issue of timing and bringing a single project to the bond market, as opposed to a handful projects with different time horizons.

- One of the 'buckets' established by the legislature is for "Revenue Replacement, Unemployment Solvency, and Infrastructure" with an amount of \$630M. The legislature appropriated \$100M of that for the Unemployment Trust Fund and \$50M for the local grant matching program mentioned earlier. This leaves \$480M in the bucket available for later appropriation. This is noteworthy, as the [Federal Treasury guidance](#) provided that these funds associated with revenue replacement can be used more flexibly than the other funds -- including for transportation projects. This ability to use revenue replacement funds for transportation is open to local governments as well. If you have any questions about this, please let us know.

As a final note on this, this week our friends at the Utah League of Cities and Towns (ULCT) and Governor's Office of Planning and Budget (GOPB) hosted a very informative town hall webinar on the American Rescue Plan Act. They gave details on the allowable uses of funds, the process for local entities to obtain their funds, and information regarding the state's new local matching grant programs. Keep an eye on their website later today for their posted webinar if you happened to have missed it!

Legislative Interim

In between the EAC meeting on Monday and the special session on Wednesday was a full day of interim legislative committee meetings on Tuesday. Wasatch Front Regional Council, along with our transportation partners, presented on state transportation funding and corridor preservation during the [Transportation Interim Committee hearing](#). Specifically, WFRC [highlighted](#) the importance of funding all modes of transportation, as reflected in Utah's Unified Transportation Plan. [Over the interim](#), the committee will continue to dive into transportation funding policies, and will further look at the gas tax, road usage charge (RUC) program, tolling, and other methods to fund transportation. WFRC looks forward to continuing this discussion throughout the interim with our state and legislative partners. We appreciate the members of the Transportation Interim Committee looking ahead at Utah's long-term needs, including committee chairs Senator Wayne Harper (who is a member of the WFRC Council), and Representative Kay Christofferson, and committee vice-chair Mike Winder.

The legislature is planning to hold interim meetings again in June, and then not again until September.

All the best -

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WASATCH FRONT REGIONAL COUNCIL

Government Affairs Update
May 14, 2021



The U.S. Treasury has released both funding and guidance associated with the American Rescue Plan Act which will send over \$350 billion in aid to state and local governments - details are below. Also, a quick update on federal infrastructure deliberations, congressional earmarks, and federal grant funding, as well as a look-ahead to the Utah Legislature's scheduled interim meetings Tuesday and anticipated special session Wednesday. There's clearly a lot going on!

Federal Update

American Rescue Plan Funds Guidance

This week, the U.S. Treasury released additional information (see links below) regarding the \$350 billion in state and local recovery funds included in the American Rescue Plan, for which the [State of Utah](#) is expected to receive approximately \$1.4 billion, with counties and cities receiving approximately \$1.1 billion. While states and entitlement [counties](#) and [cities](#) may now access their funds directly, the State of Utah will be required to pass through funds to [non-entitlement cities](#) over the next 30 days. The funding will come in two tranches, with the first available May 10th (60 days after the enactment of the American Rescue Plan Act on March 11th), and the second tranche anticipated to come no earlier than May 2022. All funds need to be obligated by December 31, 2024.

With the available funding also comes long-awaited additional guidance regarding the allowable uses of the funds. The Treasury has enumerated certain uses for the funds, which fit into the following broad categories:

- **Support public health expenditures**, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff
- **Address negative economic impacts caused by the public health emergency**, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- **Replace lost public sector revenue**, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic
- **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater

Of particular interest to WFRC is whether the funds can be used for transportation infrastructure projects. While the guidance is clear that transportation is not enumerated as an eligible infrastructure expense (like water, sewer, and broadband), it could potentially be considered eligible under the revenue reduction category. In short, government expenditures, like pay-go funding for capital infrastructure projects (including transportation), are eligible for expenditure of ARPA funds if and to the extent that there is an aggregate revenue loss due to the COVID-19 pandemic. Additionally, there seems to be a potential opportunity to shift funding, where a state or local government could use ARPA funds for eligible expenses and thereby free up other state or local funds for use on

other general purposes.

WFRC and other governmental entities will continue to study and interpret this guidance over the coming weeks. If you would like more information regarding the allowable uses of the funding, you can refer to the [Interim Final Rule](#), [Fact Sheet](#), [Quick Reference Guide](#), and [FAQ](#)'s released from the [Treasury](#). You can also [register for a virtual town hall](#) with the Utah League of Cities and Towns ([ULCT](#)), Governor's Office of Planning and Budget ([GOPB](#)), and Zions Bank to discuss the newly released guidance.

American Jobs Plan and Infrastructure Proposals

The \$2.3 trillion dollar infrastructure proposal from the Biden Administration, also known as the American Jobs Plan (AJP), is still being negotiated with Congress after a Republican-led coalition provided a counter proposal of \$568 billion. The Republican proposal, which proponents argue includes only 'traditional' infrastructure -- as compared to the AJP which is a broader proposal -- calls for \$299 billion for roads and bridges, \$65 billion for broadband, \$61 billion for public transit, \$35 billion for drinking water and wastewater, \$44 billion for airports, \$20 billion for rail systems, \$17 billion for ports and inland waterways, \$14 billion for water storage, and \$13 billion for safety. Earlier this week, some Congressional Republican Leaders have indicated that they may now be willing to support a proposal with between \$600 billion and \$800 billion in "traditional" infrastructure spending--an increase from the original GOP counter-offer to the Biden Proposal. Time will tell how successful these infrastructure negotiations are between the Administration and Congressional Republicans and Democrats. As a reminder, though these infrastructure proposals are being debated, the deadline for the reauthorization of the core federal transportation program looms, with the expiration of the FAST act on September 30, 2021.

Earmarks

Debate of congressionally directed spending, also known as Community Based Projects or earmarks, is continuing to make its way through congress. Utah's Congressional representatives have submitted their requests to the House Transportation and Infrastructure Committee for projects in the reauthorization of the surface transportation act (or the FAST act). Linked here you can find Representatives [Moore](#), [Owens](#), [Curtis](#), and [Stewart](#) projects which are included in the over [2,000 project requests](#) that the committee received. Additionally, Utah's four House Members have also [submitted earmark funding requests](#) in the Fiscal Year 2022 Appropriations bill. Senator Romney and Senator Lee, however, have [decided](#) to not to support or request congressional earmarks for Utah.

RAISE Grant Funding Opportunity

The U.S. Department of Transportation has released a [notice of funding opportunity](#) for the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant program (formerly known as BUILD or TIGER). The competitive grant program has over \$1 billion in funding available for surface transportation infrastructure projects that will have a significant local or regional impact. Projects that help create good-paying jobs, improve safety, apply transformative technology, and explicitly address climate change and racial equity will be prioritized by the Administration. Of the \$1B in funding, \$30M will be set aside for transportation planning purposes. Applications must be submitted no later than July 12th. WFRC is working with its partners to identify potential projects for submittal; if you have ideas, let us know!



State Update

Special Legislative Session

In order to accept and disburse the distributed American Rescue Plan funds, and to consider potentially dozens of bills, the Utah Legislature is anticipated to meet for a special session on Wednesday, May 19th, although as of the writing of this update email, the official “call” for the special session has not yet been released. Now with the additional guidance from the US Treasury, the Governor and Legislature have more information they needed to accept and determine the highest and best uses of the funds. At the core of their prioritization are Guiding Principles they have outlined to help direct the use of the funds:

Legislative Guiding Principles:

1. Addresses one or more long-term challenges in Utah.
2. Results in sizeable payoff/net present benefit.
3. Provides statewide benefit to citizens.
4. Represents something that otherwise might not get funded due to project size/amount.
5. Inspires innovation.
6. Won't create inflationary pressure.
7. Considers full cost of ownership and does not create an unfunded future cost.
8. Aligns with one or more core functions of state government and avoids permanently committing to a local government responsibility (school districts, service districts, municipalities, counties, etc).
9. Leverages non-state resources by partnering financially with other levels of government.
10. Meets federal guidelines for grant use.

Governor's Guiding Principles:

1. Fiscal Prudence: Uphold reputation for return on investment and avoid structural imbalances in the future.
2. Proactive Investments: Enhance infrastructure to meet our next challenges in an innovative way.
3. Targeted: People, industries, and locations that continue to suffer the greatest impact.
4. Enduring: Favor investments that solve an existing problem and provide an enduring benefit.
5. Accountable: Measure and account for funds through a publicly available scorecard.

While it is still unclear exactly how much funding will be appropriated, and to where, legislative leadership has indicated that they will appropriate approximately one-third of the state's apportionment next week. They have also indicated that they will place the funding into categorical ‘buckets’ of sorts, to ‘hold’ the balance funds until there is further clarity on both the final rules for ARPA as well as the evolving economic situation. Senate President Stuart Adams shared at a public event this week that the buckets are as follows:

1. Revenue Loss.
2. Pandemic Unemployment Losses.
3. Public Health Response & Remediation.
4. Impacted Economies.

5. Water Infrastructure.
6. Networking & Broadband.
7. Education Remediation.
8. Emergency Preparedness.
9. Access to Justice.
10. Housing and Homeless.
11. Recession Response & Infrastructure.

Legislative leaders have noted the importance of setting aside a majority of this funding for future use in order to limit undue inflationary pressures and overheating the economy. The Legislature and Governor's Office intend to take a thoughtful and intentional approach next week, and over the next year, in appropriating and administering these funds.

2021 Legislative Interim

The Utah legislature has also released their [interim schedule](#) and [study item topics](#) for 2021, with the first interim meetings being held Tuesday, May 18th.

WFRC will be closely monitoring committees including the [Transportation Interim Committee](#) hearings throughout the year. We have been asked to present at the May 18th interim meeting regarding transportation funding. Throughout interim, the committee will be studying items including the following:

- Road Usage Charge (RUC) and transportation user fees
- Transportation spending
- Corridor preservation
- Alternative fuel vehicles and electric vehicle infrastructure

Please don't hesitate to reach out if you have any questions.

All the best,

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