Overview

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County Transportation Funding Overview
Primary Transportation Funding Sources

Counties primarily rely on funding from:
- Highway User Revenue Fund
- Vehicle License Tax

Counties with a population under 400,000 can adopt – with voter approval – a sales tax for roads, that is spent directly by the county.

In all counties voters can approve a regional transportation plan – funded by a sales tax – that is administered by a regional transportation authority.
In FY 2019, the total dollars diverted from HURF to fund DPS drops to $15.5M.
From FY 2000 to FY 2014 the legislature notwithstanding the $10M maximum transfer to DPS from HURF, resulting in over $154M reduction in county transportation funding.

In FY 2019, the creation of a Highway Safety Fee will fund DPS, largely eliminating the shift from HURF.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Net Impact of HURF Shifts and Special HURF Distribution to Local Governments FY 2000 to FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counties</td>
<td>$151M</td>
</tr>
<tr>
<td>Cities &amp; Towns</td>
<td>$248M</td>
</tr>
<tr>
<td>ADOT</td>
<td>$635M</td>
</tr>
<tr>
<td>MAG/PAG</td>
<td>$63M</td>
</tr>
<tr>
<td>Total</td>
<td>$1.15B</td>
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</tbody>
</table>

Source: JLBC Tax Handbook & Appropriation Reports
HURF Purchasing Power is Down

Average Annual Monthly Cost of Bituminous Materials

Purchasing Power of County HURF and Gas Tax Collections

Source: ADOT
In FY 1993, gas taxes accounted for 44% of HURF revenues. By FY 2017 that has dropped to 36%.

Source: JLBC Tax Handbook
Arizona v. National Gas Tax Rates

Arizona’s motor vehicle fuel tax was last set in 1990 at 18¢ per gallon (and an additional 1¢ on gas in underground storage tanks)

Source: American Petroleum Institute
Decade States Last Increased Gas Taxes

12
Number of states to have gone two decades or more without a gas tax increase

The last time Alaska raised its gas tax, Richard Nixon was President.

32
Number of states to raise or reform gas taxes since 2010

Mississippi last raised its gas tax in 1989, before the Berlin Wall came down.

Source: Institute on Taxation and Economic Policy
Revenues from gas tax will continue to decline as the economy shifts away from gasoline and MPG efficiencies continue to improve. However, roadways will continue to experience more and more use.

Source: U.S. Energy Information Administration
VLT has begun to make up a larger portion of HURF revenues, going from 15% in FY 1993 to 30% in FY 2017.
# Vehicle License Tax Structure

For new vehicles purchased after Jan. 1, 2020

## Traditional Vehicles

<table>
<thead>
<tr>
<th>Year 1</th>
<th>60% of the base retail price</th>
<th>$2.80 per $100 assessed value</th>
</tr>
</thead>
</table>

*Each Subsequent Year*

| 16.25% less than previous year | $2.89 per $100 assessed value |

## Alternative Fuel Vehicles

<table>
<thead>
<tr>
<th>Year 1</th>
<th>30% of the base retail price</th>
<th>$4 per $100 assessed value</th>
</tr>
</thead>
</table>

*Each Subsequent Year*

| 15% less than previous year | $4 per $100 assessed value |

VLT paid on an alternative fuel vehicle will be roughly 70% of the VLT paid on a similarly priced traditional vehicle.

Source: Arizona Revised Statutes §28-5805.01
Alternative Fuel Vehicles

Alternative vehicles percent of total new vehicles sold

Alternative fuel vehicles are projected to make up over *30% of the cars* sold in 2050.

If alt. fuel vehicles continue to pay a lower VLT than traditional vehicles, in 2050 we will *forego almost 10% of revenue* that could be collected.

Reliance on gas tax and VLT on traditional vehicles to fund road maintenance will put a disproportionate burden of funding road construction and maintenance on the purchasers of gasoline.

Source: U.S. Energy Information Administration
Transportation Funding Implications

- Transportation revenues are likely to decline in real purchasing power over time with no change to the gas tax.
- The taxation of alt. fuel vehicles differently than traditional vehicles may degrade VLT revenues as more people shift to alt. fuel.
County Transportation Funding Needs
Counties own and maintain 20,800 miles of roads.

45% are paved, 55% are unpaved.

There are 1,101 bridges and structures owned by counties.

24% of bridges and structures are over 50 years old.

Source: ACCE 2018 Roadway Needs Study
Current Status of County Roadways

- **35%** of county roadways are in **poor or very poor condition** statewide
  - 5 counties have **50% or more** of roadways in poor condition

- **10%** of county bridges and structures are **structurally deficient or functional obsolete**

- **70%** of county engineers are **not confident** they can maintain roadways at historic and current funding levels

- **90%** of county engineers delay repairs and maintenance due to budget limitations

*Source: ACCE 2018 Roadway Needs Study*
### 10-Year Projected Transportation Funding

<table>
<thead>
<tr>
<th>County</th>
<th>Revenue</th>
<th>Expenditure Needs</th>
<th>Funding Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apache</td>
<td>$100,804,846</td>
<td>$181,684,454</td>
<td>$80,879,607</td>
</tr>
<tr>
<td>Cochise</td>
<td>$111,823,599</td>
<td>$263,636,724</td>
<td>$151,813,125</td>
</tr>
<tr>
<td>Coconino</td>
<td>$226,382,320</td>
<td>$385,019,478</td>
<td>$158,637,158</td>
</tr>
<tr>
<td>Gila</td>
<td>$66,466,714</td>
<td>$188,785,459</td>
<td>$122,318,745</td>
</tr>
<tr>
<td>Graham</td>
<td>$36,783,141</td>
<td>$86,461,242</td>
<td>$49,678,102</td>
</tr>
<tr>
<td>Greenlee</td>
<td>$12,421,039</td>
<td>$64,211,476</td>
<td>$51,790,437</td>
</tr>
<tr>
<td>La Paz</td>
<td>$50,269,083</td>
<td>$130,445,509</td>
<td>$80,176,426</td>
</tr>
<tr>
<td>Maricopa</td>
<td>$1,291,299,816</td>
<td>$1,394,387,060</td>
<td>$103,087,244</td>
</tr>
<tr>
<td>Mohave</td>
<td>$171,735,053</td>
<td>$479,263,569</td>
<td>$307,528,516</td>
</tr>
<tr>
<td>Navajo</td>
<td>$119,139,521</td>
<td>$201,622,619</td>
<td>$82,483,098</td>
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<tr>
<td>Pima</td>
<td>$736,420,805</td>
<td>$1,019,802,136</td>
<td>$283,381,331</td>
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<tr>
<td>Pinal</td>
<td>$388,743,359</td>
<td>$587,387,800</td>
<td>$198,644,441</td>
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<td>Santa Cruz</td>
<td>$48,337,051</td>
<td>$87,656,422</td>
<td>$39,319,370</td>
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<tr>
<td>Yavapai</td>
<td>$256,037,072</td>
<td>$351,859,558</td>
<td>$95,822,486</td>
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<td>Yuma</td>
<td>$143,619,373</td>
<td>$537,594,350</td>
<td>$393,974,977</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$3,760,282,792</strong></td>
<td><strong>$5,959,817,855</strong></td>
<td><strong>$2,199,535,062</strong></td>
</tr>
</tbody>
</table>

**Funding Gap**

- County engineers estimate that funding to repair and maintain proper roadways in counties over the next 10 years will fall short by $2.2 billion.
- Materials alone to bring county roadways to a state of good repair would cost $1.65 billion.

Source: ACCE 2018 Roadway Needs Study
County Transportation Funding Policy Options
Transportation Revenue Options

State and Local Level Revenue Options

Fuel Tax:
- Increase gas tax
- Index gas tax to inflation
- Local option
- Sales tax on fuel

Other Tax:
- TPT for transportation
- Property tax for transportation
- Local special districts
- Vehicle License Tax
- Additional regional sales tax authority for transportation

Fee Based:
- Driver’s license fee
- Registration fee
- In-lieu Gas Tax for alternative fuel vehicles
- Vehicle miles traveled
- Tolls

Italicized options were recommended by the 2016 Surface Transportation Task Force