

COUNTY SUPERVISORS ASSOCIATION



TRANSPORTATION FUNDING UPDATE

09.20.18





Overview

- 01** Transportation Funding Overview
- 02** Transportation Funding Needs
- 03** Transportation Policy Options



County Transportation Funding Overview



Primary Transportation Funding Sources

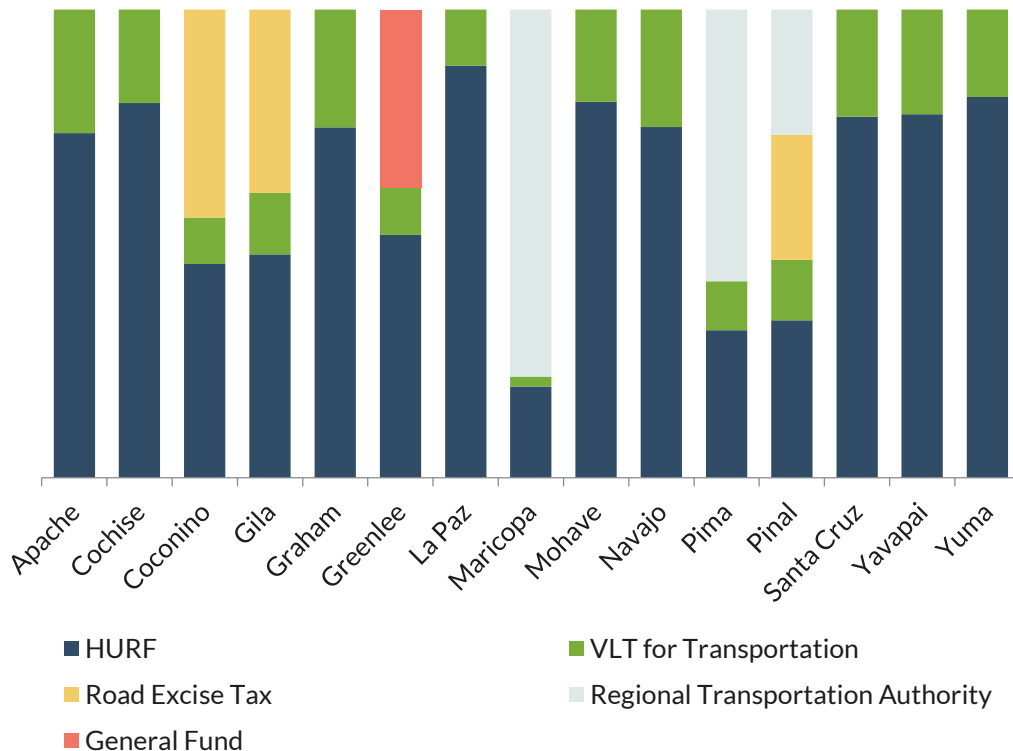
Counties primarily rely on funding from:

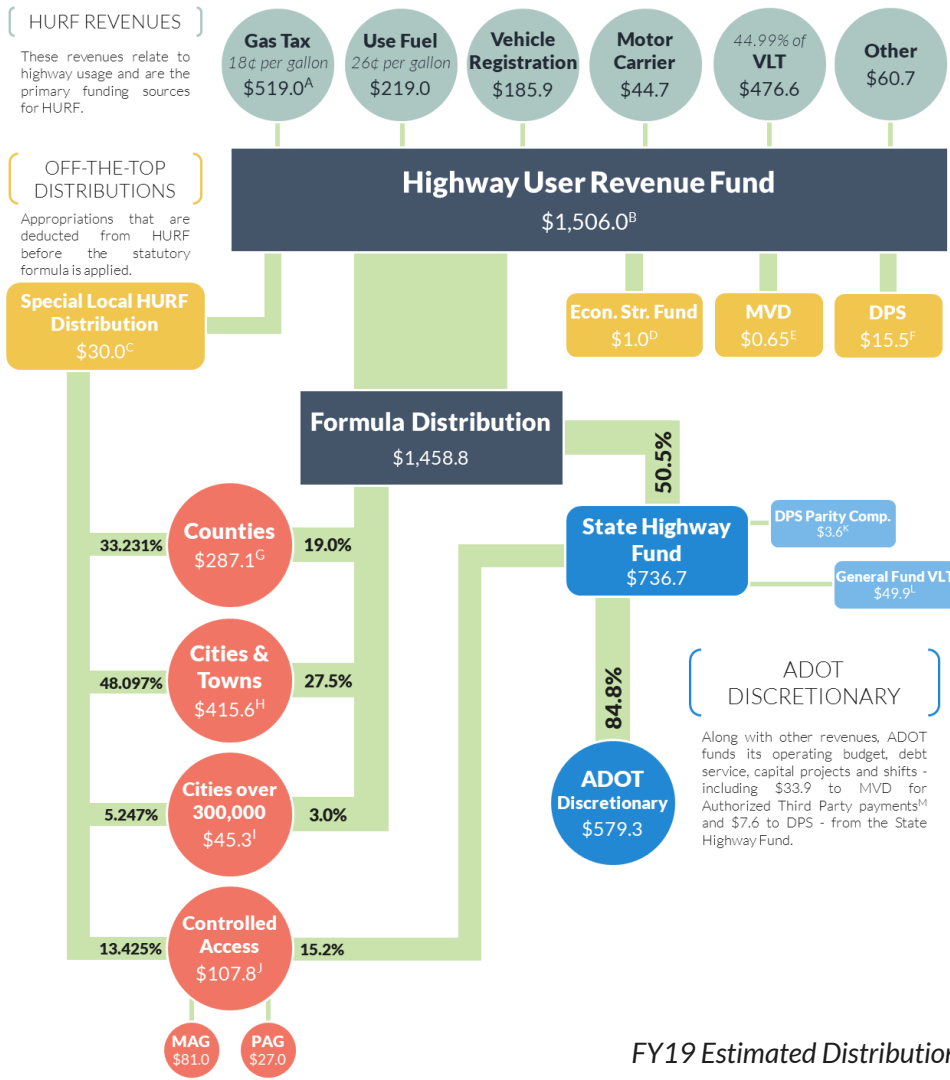
- Highway User Revenue Fund
- Vehicle License Tax

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.

Proportion of funding to the major regional spending on transportation by counties or by regional transportation authorities.



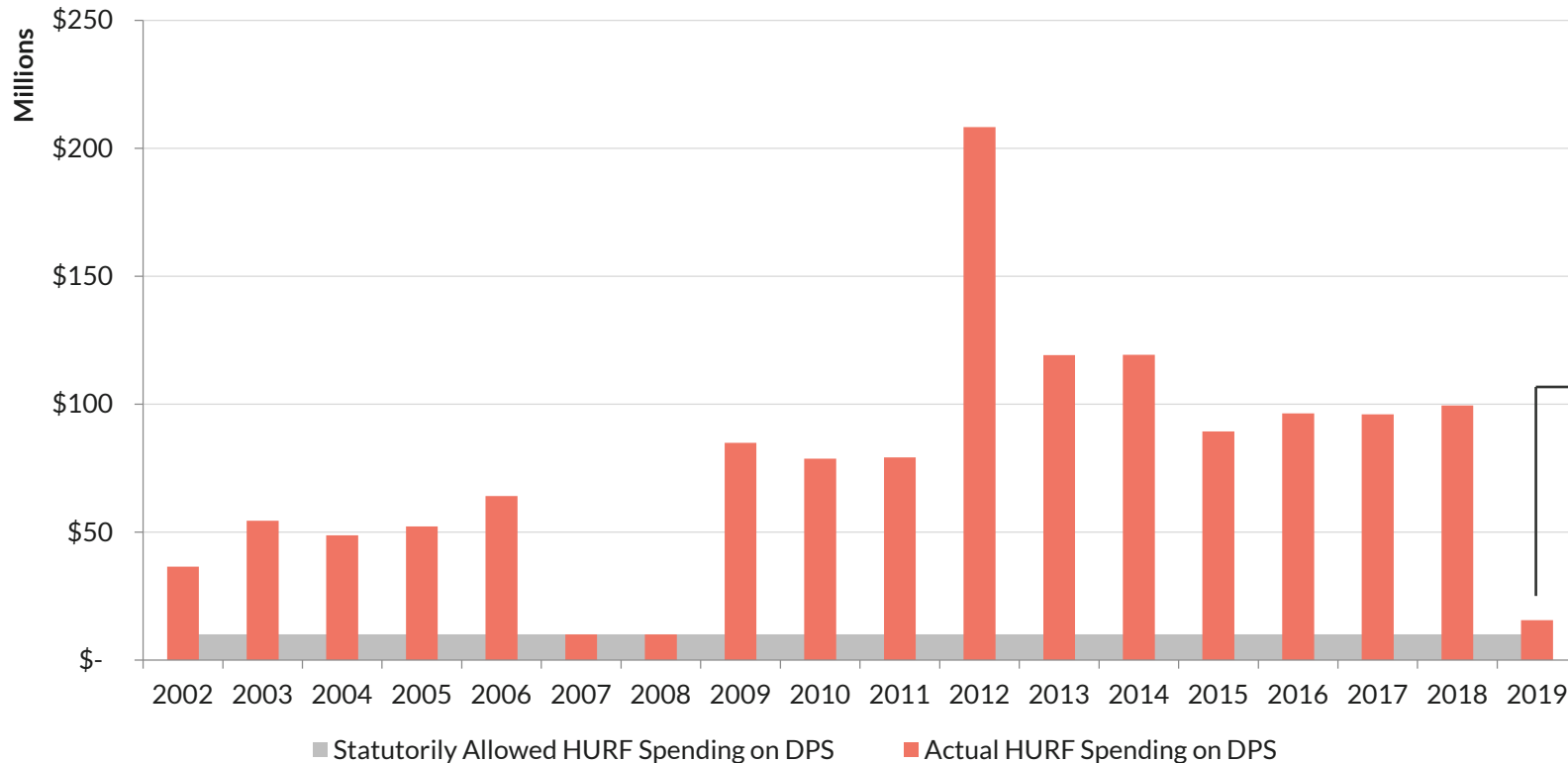


FY19 Estimated Distribution



Highway User Revenue Fund Distribution Formula

HURF Sweeps for DPS and MVD



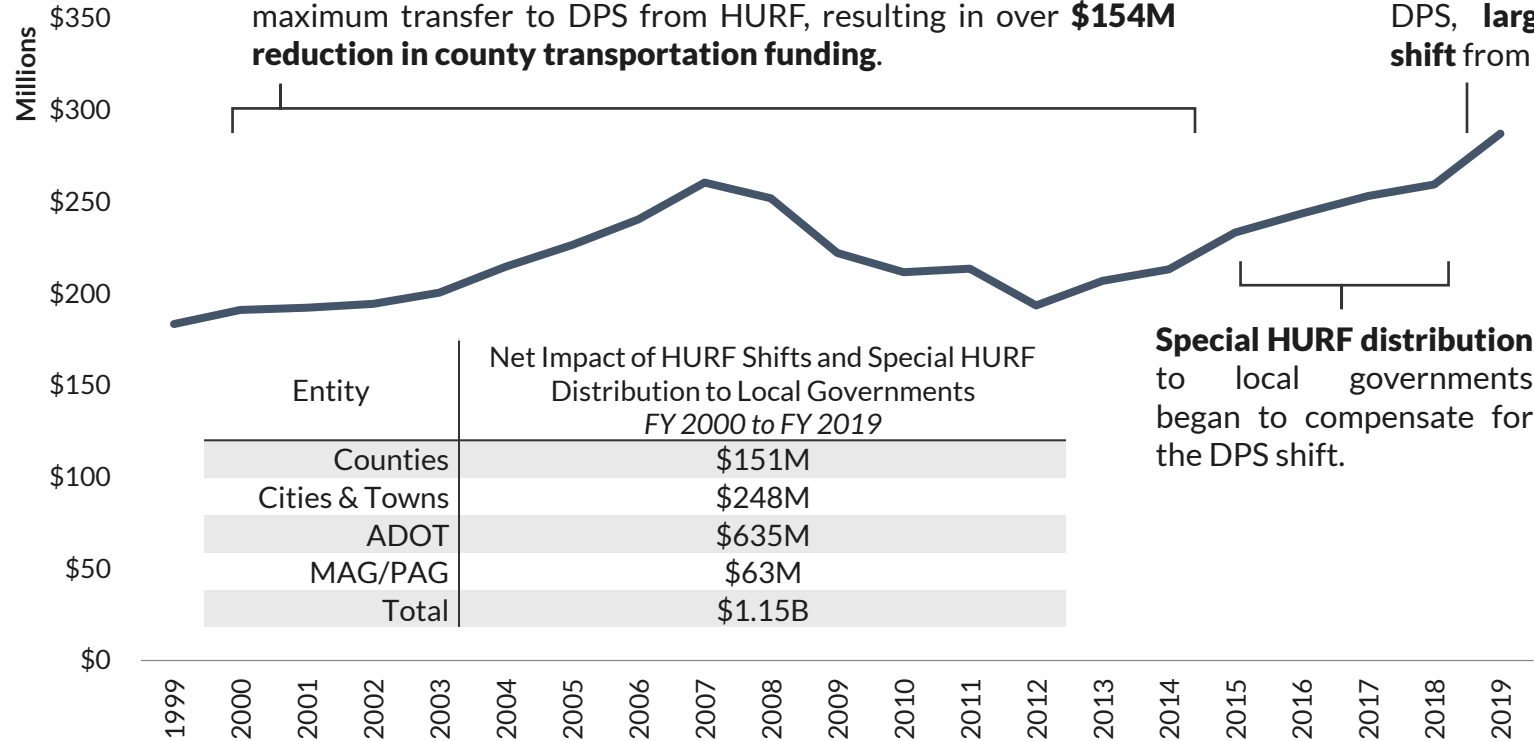
In FY 2019, the total dollars diverted from HURF to fund DPS **drops to \$15.5M.**

County HURF Distribution



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.



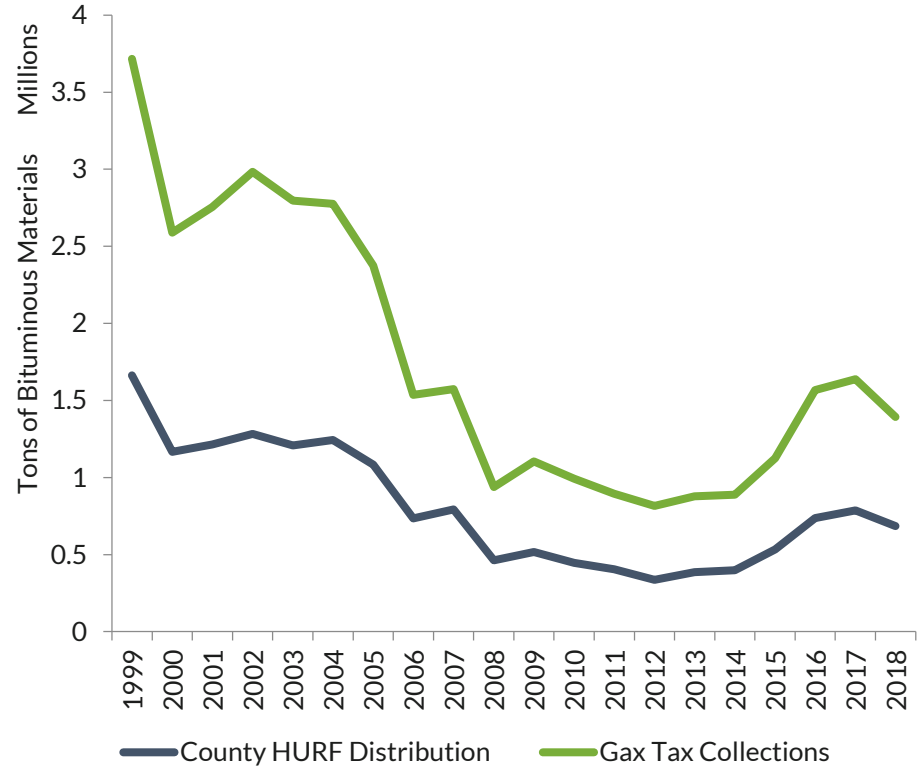
HURF Purchasing Power is Down

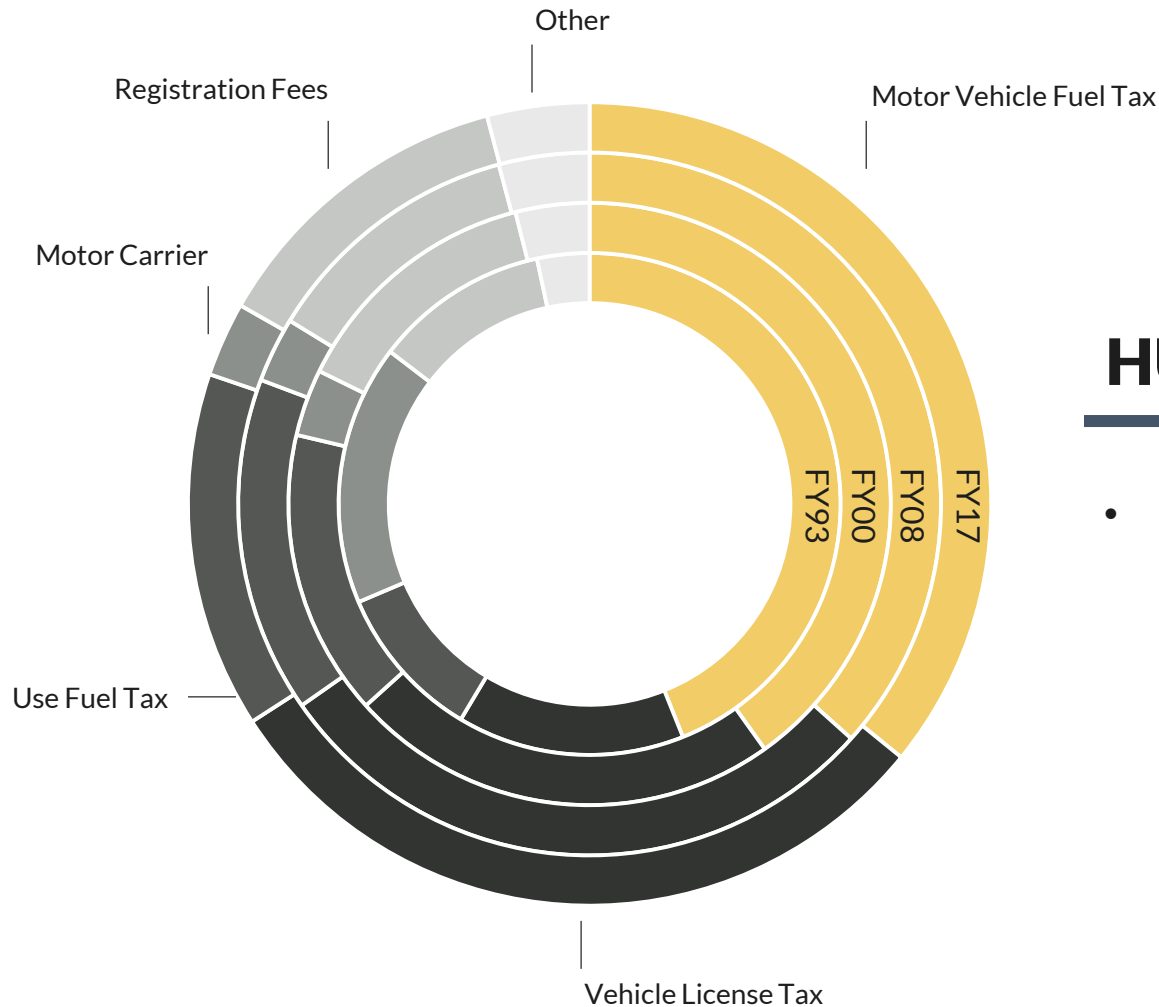


Average Annual Monthly Cost of Bituminous Materials



Purchasing Power of County HURF and Gas Tax Collections





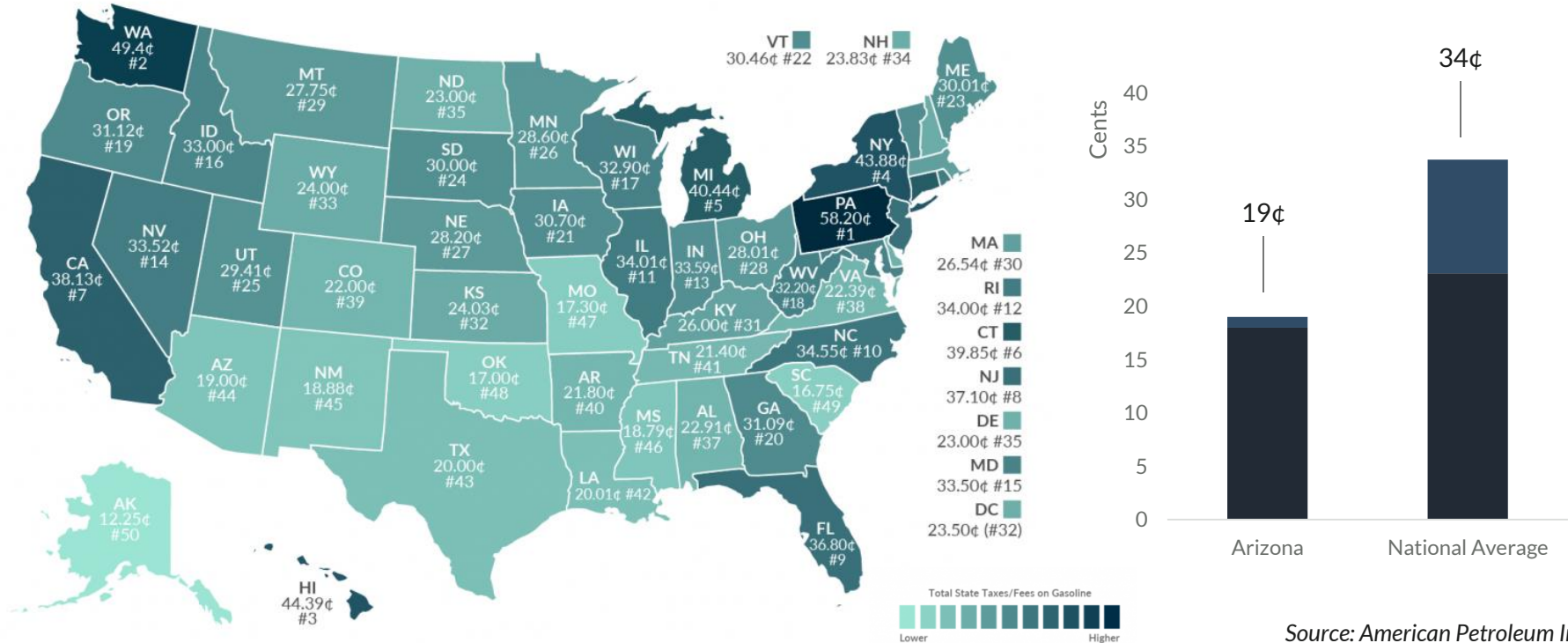
HURF Funding : Gas Tax

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

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

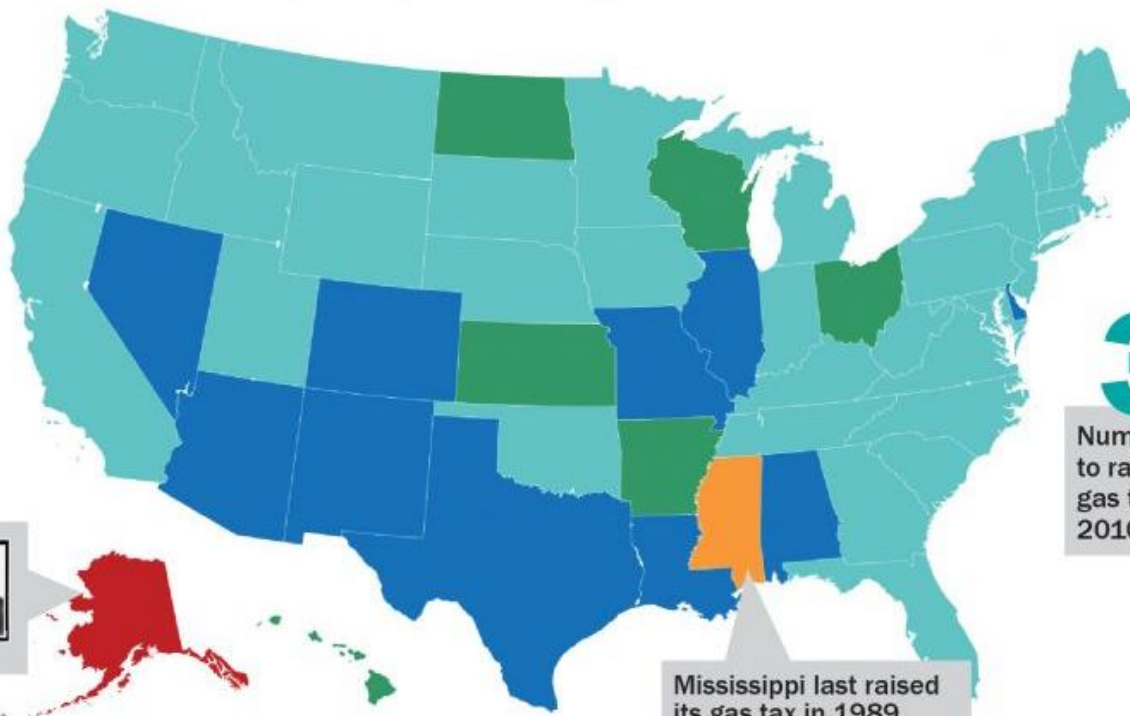
Decade States Last Increased Gas Taxes



■ 1970s ■ 1980s ■ 1990s ■ 2000s ■ 2010s

12

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



32

Number of states to raise or reform gas taxes since 2010

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

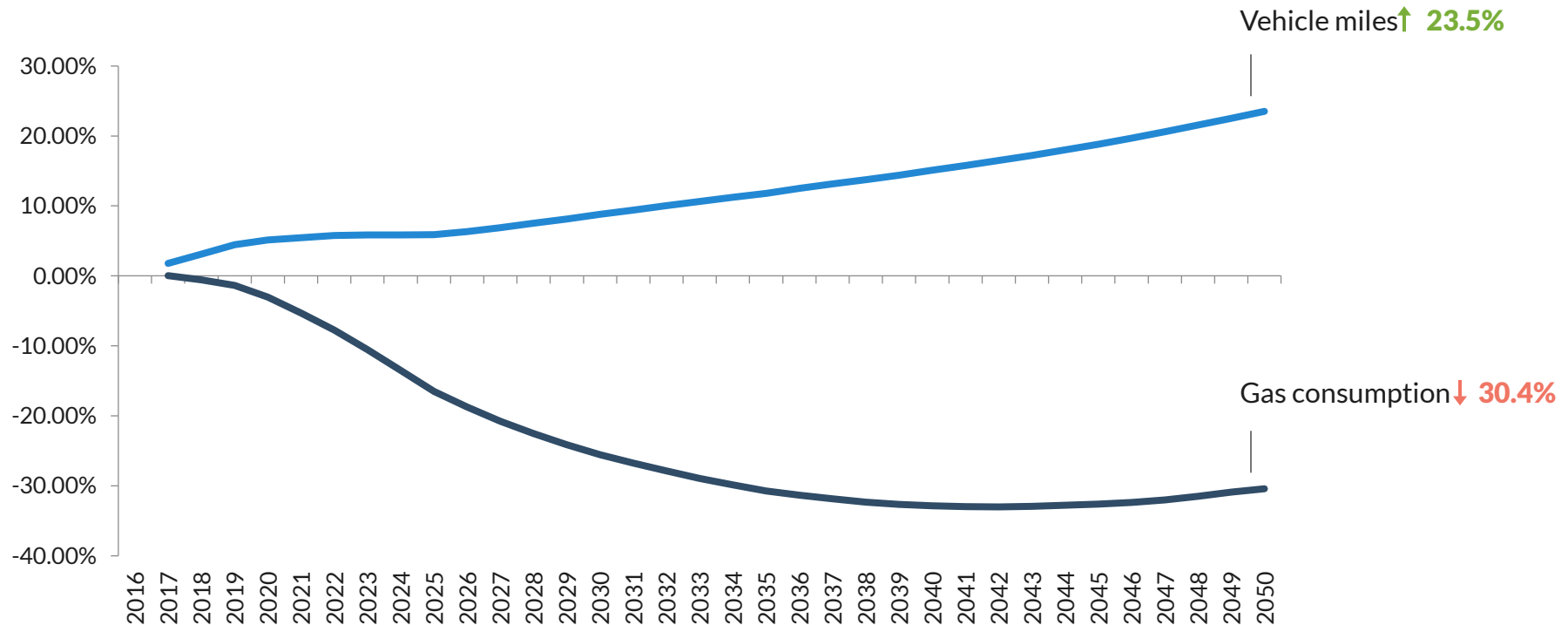


Mississippi last raised its gas tax in 1989, before the Berlin Wall came down.

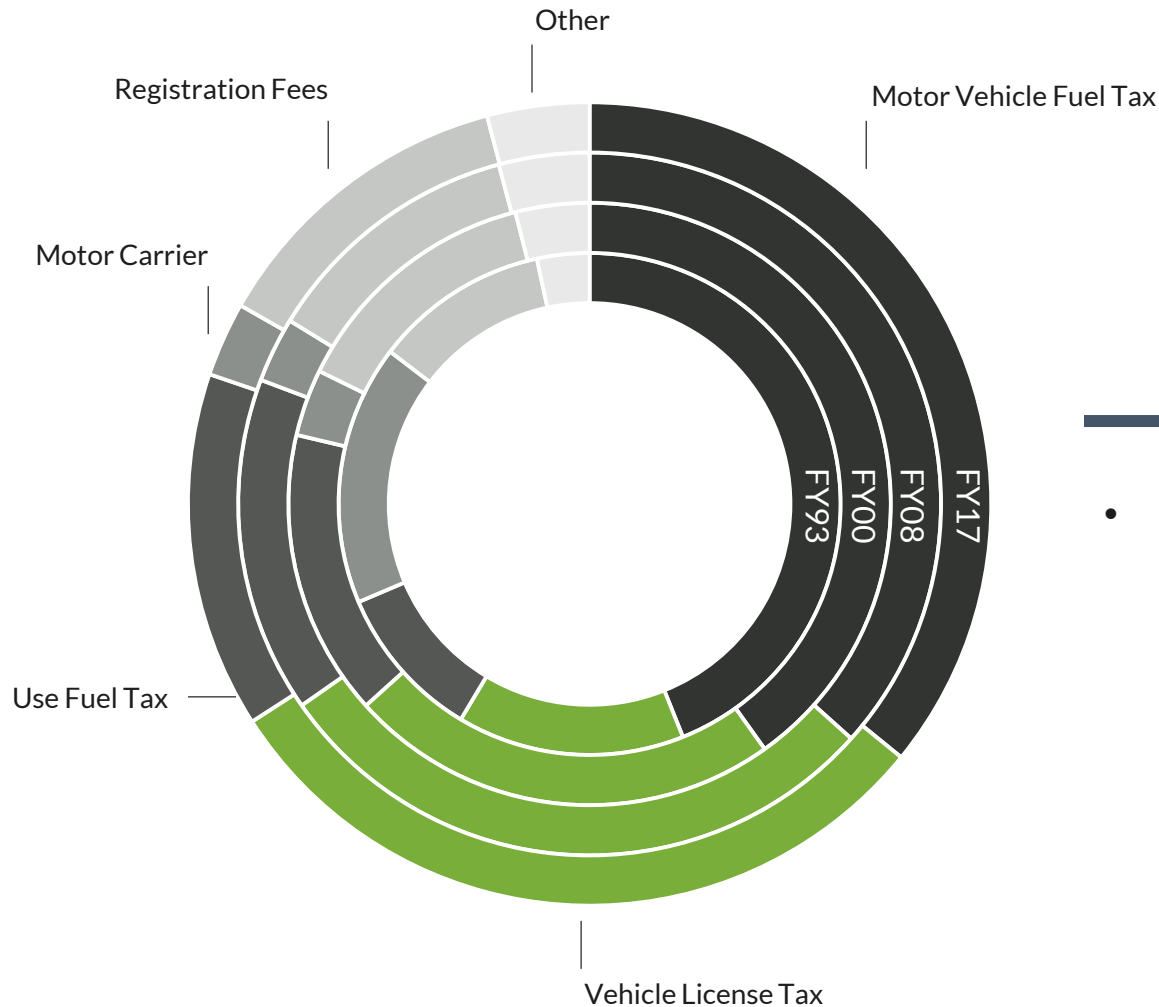
Projected Travel and Gas Consumption



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



HURF Funding : VLT

- **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

Year 1

60% of the base retail price

\$2.80 per \$100 assessed value

Each Subsequent Year

16.25% less than previous year

\$2.89 per \$100 assessed value

Alternative Fuel Vehicles

Year 1

30% of the base retail price

\$4 per \$100 assessed value

Each Subsequent Year

15% less than previous year

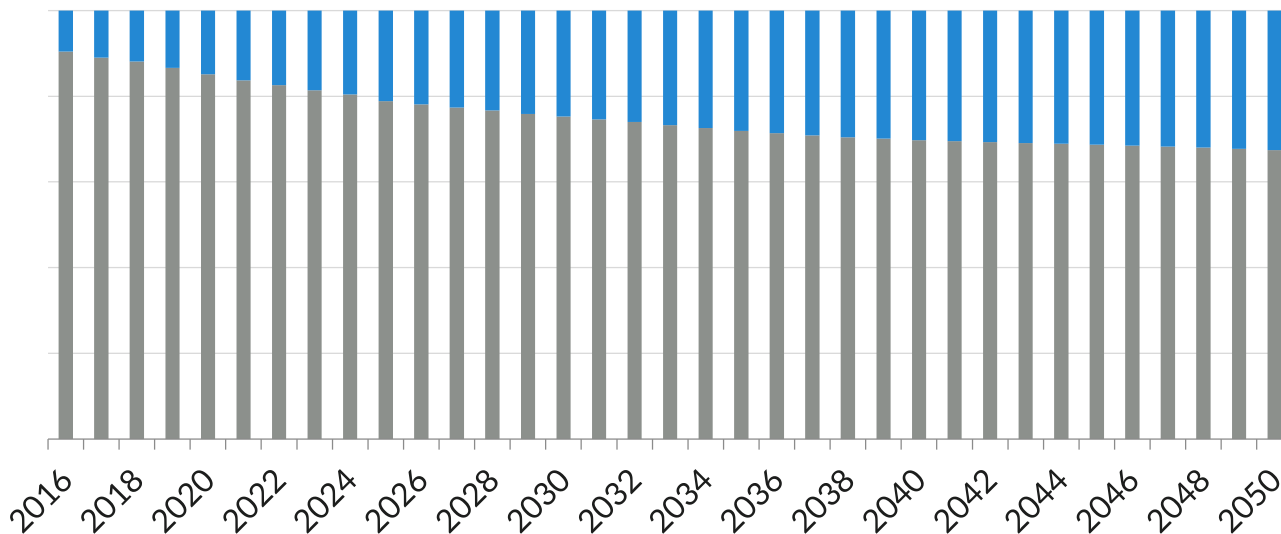
\$4 per \$100 assessed value

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

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.



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

County Roadway System

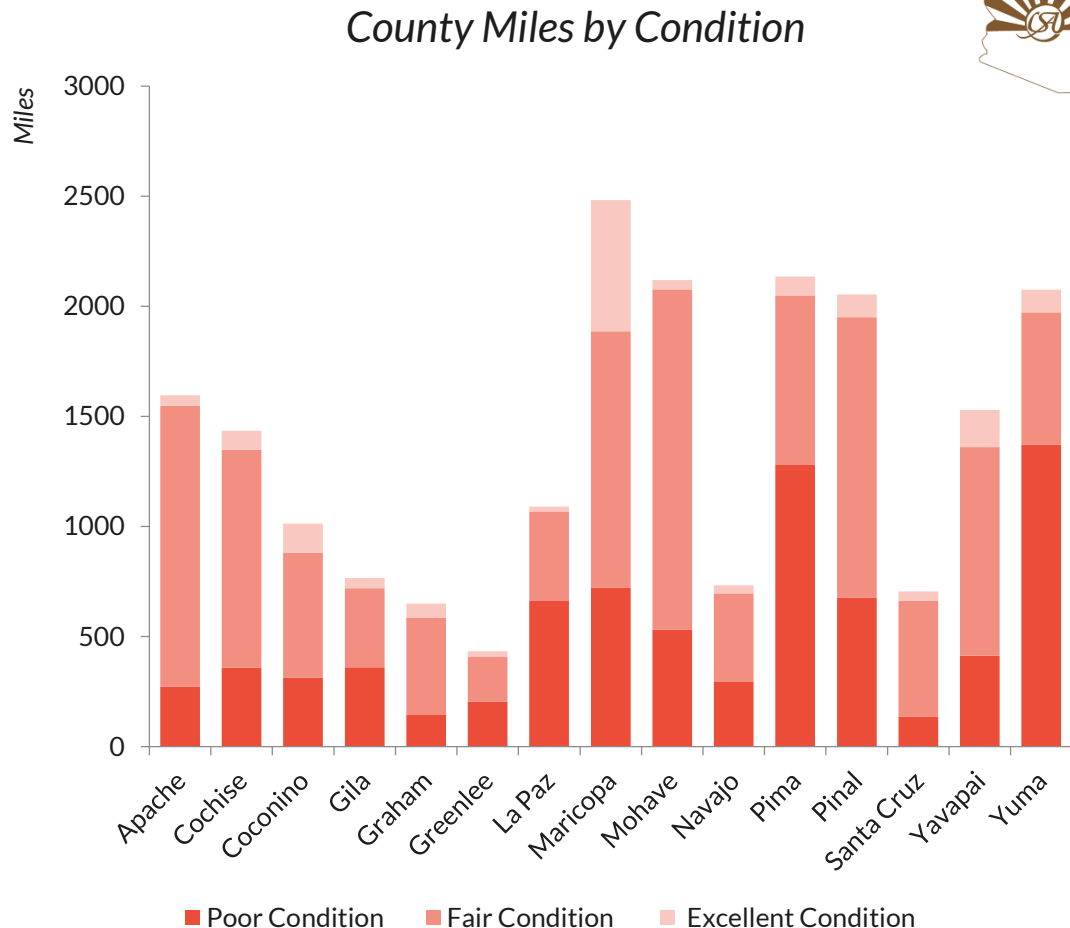
There are **1,101 bridges
and structures** owned
by counties



24% of bridges and
structures are over
50 years old

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





10-Year Projected Transportation Funding

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

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**



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*