

Chapter 8

Roadway Funding and Revenue Sources

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8.1 Existing Roadway Revenue Sources

8.1.1 Introduction

Section 8.1 is a primer on transportation revenue sources available to the jurisdictions within the Interstate 10-Hassayampa Valley Framework Study area. Transportation planning and capital improvement programming is a complex blend of technical analysis and public policy. It is important to consider current and future revenues because infrastructure planning requires insight into how much money will be available for different types of projects, and when. While this document focuses on roadway system funding, some of the revenue sources may be used for public transit and other modes.

Revenues come from direct user fees and gasoline taxes, and from indirect taxes and fees, all of which are paid by the motoring public, commercial interests, property owners and taxpayers. Most transportation taxes and fees are public revenues, but private sources and public/private partnerships are becoming more popular across the country. The discussion of available revenue sources is not exhaustive; some minor and infrequent sources are not presented.

Existing public revenues are provided by federal, state, and local taxes and user fees. Most federal and state revenues are apportioned by formula among local jurisdictions. Revenues generated by local agencies typically are used exclusively within their jurisdictional limits. All public revenue sources have some use restrictions. For example, state gasoline taxes can be used only for streets and highways, while impact fees cannot be used for road maintenance. In Arizona, general fund revenues are rarely used for roadways because other municipal services (such as fire and police) are perceived as more important or lack other funding options. Private funding (in cash or in kind) includes developer exactions, right-of-way dedications, privatized projects such as toll roads, fees in-lieu of construction, and private sector construction of public roadways.

Section 8.1 includes a portion that describes existing transportation revenues used by the jurisdictions and transportation agencies involved in the I-10/Hassayampa Valley study. These entities include the Maricopa Association of Governments (MAG), the Arizona Department of Transportation (ADOT), Maricopa County, Town of Buckeye, and the cities of Glendale, Goodyear, and Surprise. Unlike the other entities, MAG is not a local government or jurisdiction, but a (quasi-governmental) metropolitan planning organization charged by law with certain transportation planning responsibilities throughout Maricopa County. In some cases it also acts as a conduit for funding. The Maricopa County Department of Transportation (MCDOT) is responsible for constructing, operating and maintaining roads in unincorporated areas of the county.

Only significant, recurrent or annually available sources, such as the Highway User Revenue Fund (HURF) and impact fee revenue have been addressed. Hassayampa Valley jurisdictions do receive non-recurrent transportation revenues, such as developer exactions or contributions and non-formula-based federal or state grants. Because these revenues are not consistently available from year to year, they contribute only marginally to transportation project funding. Accordingly, they are not included in this review.

Each entity controls or uses different mixes of transportation revenue. For example, ADOT and MAG have primary responsibility for federal revenues and for Regional Area Road Fund (RARF) freeway projects. Maricopa County is heavily dependent upon its annual HURF allocation, derived mainly from gasoline tax and vehicle license tax (VLT) collections. Cities and towns use a number of sources, including HURF, development impact fees, local transportation sales taxes and construction taxes.

The revenue sources currently used will not suffice to meet all of the roadway system demands forecast for the study area. A short discussion is included that addresses other revenue sources currently authorized by state statute, but not being used by any jurisdictions in the area. This list of “other” available and authorized sources is small, however. For example, Maricopa County is empowered to levy development impact fees for transportation and a countywide property tax for roadways, but does not.

This discussion emphasizes revenues only, not financial mechanisms (borrowing) that commit and spend future revenue for today’s projects. For example, HURF allocations can be used, with voter approval, to finance revenue bonds; Glendale already does this. Secondary property taxes, however, are a specific revenue source, used for debt service on voter-authorized general obligation bonds (as in Glendale and Goodyear); therefore, these bonds are included in the discussion.

Unless otherwise noted, all revenues are in year 2007 dollars.

8.1.2 Roadway Revenue Overview

This section provides a brief overview of revenue sources for roadways, how they are paid, who pays them, who collects them, and how they are used. Section 8.1.2.1 provides brief descriptions of the most generally used revenue sources. Many of these sources, but not all, are currently used in Arizona. Section 8.1.2.2 provides additional detail on federal and state highway revenues and Arizona's HURF allocations because they are the most complicated sources with regard to origin and distribution.

8.1.2.1 Basic Sources of Roadway System Revenue

There are many sources and types of roadway system revenue, each with a unique set of advantages and limitations. No single source meets all of the needs, so jurisdictions must rely on multiple revenue streams. Most major sources are public revenues levied and collected by federal, state and local governments. Public-private partnerships, and direct private ownership, operation and maintenance of roadway facilities do occur and could become more prominent in the future, however.

Some existing and potential roadway revenues are direct user taxes and fees, such as the tax on gasoline purchases, the vehicle license tax, and tolls. These taxes and fees are assessed on the users of roadway systems, to offset the demands that users make for new capital investments and for operations and maintenance of existing systems. The user fees and fuel taxes for a mid-size car amount to about 2¢ per mile of the 57¢-per-mile cost to own and operate the vehicle.

Other revenues are indirect taxes and fees, levied by governments that allocate the generated revenues to transportation purposes. Property taxes and sales taxes are the primary sources of indirect revenue. They are considered indirect because they are imposed on the taxpaying public at large, rather than being targeted to roadway system users.

Table 8.1 presents a simplified profile of revenue sources, distinguishing between direct user taxes and fees on the one hand, and indirect taxes and fees on the other.

Sale of Motor Vehicle Fuel

These taxes, the primary component of direct user taxes and fees, are typically levied as cents-per-gallon. Some states impose a sales tax on fuel sales instead of, or in addition to, the cents-per-gallon tax. The federal government and the state of Arizona collect taxes on the sales of gasoline at the rate of 18.3¢ per gallon¹ and 18¢ per gallon, respectively. The federal government and Arizona collect taxes on diesel fuels and the federal government collects taxes on the sales of alternative fuels, but at lower rates. Motor fuel taxes are paid by the general motoring public (passenger cars) and owners of commercial vehicles. A few states index the tax rate to inflation, but Arizona does not. Arizona's tax rate has not increased since 1991. If adjusted for inflation since the last increase, the rate would be 27¢ today. Rates in other states range from a low of 8¢ in Alaska to a high of 32.9¢ in Wisconsin. Revenues from fuel sales are relatively predictable and reliable because there is little change in the volume of sales despite price fluctuations (i.e., consumer demand for gasoline is inelastic with respect to price.) At current fuel prices, a typical motorist driving 15,000 miles per year pays about \$108 in Arizona gasoline tax and \$110 in federal gasoline tax.

Vehicle License Tax (VLT)

A second significant source of direct user taxes and fees, the VLT is imposed by the state of Arizona and collected annually. It is a personal property tax on motor vehicles, based on statutorily defined formulas rather than direct market values. These fees are paid by all vehicle owners, at the time of initial licensing and annual license renewal. In Arizona, the amount decreases as the vehicle depreciates. The VLT is based on an assessed value of 60% of the manufacturer's base retail price (MSRP). For new vehicles, the tax is calculated at \$2.80 per \$100 of the assessed value. For used vehicles, the tax is calculated at \$2.89 per \$100 of the assessed value. Each year the assessed value is reduced by 16.25% since the first year the vehicle was registered in Arizona. The VLT on a typical \$25,000 new car is about \$420 and drops 16.25% per year. As discussed later, only a portion of the VLT (roughly half) is dedicated to transportation purposes.

Table 8.1 Roadway Revenue Overview Chart

REVENUE SOURCES	HOW PAID	WHO COLLECTS	WHO PAYS
Direct User Taxes and Fees			
Fuel Sales			
Gasoline Sales	Typically charged as cents-per-gallon and charged at the pump	Federal/state	Passenger/commercial vehicles
Diesel Fuel Sales	Typically charged as cents-per-gallon and charged at the pump	Federal/state	Commercial vehicles
Alternate Fuels	Typically charged as cents-per-gallon and charged at the pump	Federal	Alternate fuel users
Vehicle License/Registration Fees			
Vehicle License Tax	Property tax based upon the value of the vehicle ("ad valorem"), assessed annually	State	All vehicle owners
Vehicle Registration/Title Fees	Fees paid at the time of the initial vehicle registration and with annual renewal of registration	State	All vehicle owners
Vehicle Weight Taxes and Fees			
Truck and Trailer Sales	Sales taxes on trucks and trailers above specified weight	Federal	Commercial vehicles
Tire Sales	Cents per each 10 pounds over rated loads in excess of 3,5000 pounds	Federal	Commercial vehicles
Heavy-Vehicle Use	Annual taxes on trucks over a specified gross vehicle weight	Federal/state	Commercial vehicles
Toll Roads and Bridges	Tolls paid for use of roadways and bridges	State or interstate agencies/private entities	All vehicles using roadway not otherwise exempt
Other Miscellaneous Fees	Various fees charged for operators licenses, specialized license plates, requests for special services, licenses and permits	State/local	
Indirect Taxes and Fees			
Property Taxes/Assessments			
Primary Property Taxes	Taxes on assessed property valuations, collected annually, with some general fund revenues allocated to transportation	Local	Property owners
Secondary Property Taxes	Taxes on assessed property valuations, collected annually, for debt service on general obligation bond debt allocated to transportation capital improvements	Local	Property owners
Improvement & Community Facilities Districts	Assessments and/or property taxes against properties in specified geographic areas to pay for improvements benefiting the area	Local	All property owners in district
Development Impact Fees	One-time fees against new residential and non-residential property development, to offset the costs of transportation demand generated by the new development	Local	All new development
Private Contributions	Exactions/conditions of rezoning/dedications (of right-of-way), construction and other "in lieu" payments	Local	Private developers

Table 8.1 Continued

REVENUE SOURCES	HOW PAID	WHO COLLECTS	WHO PAYS
Sales Taxes			
General Sales Taxes	Taxes levied on sales of taxable items, with all or a portion of proceeds dedicated to transportation purposes	Local	All purchasers of taxable goods and services
Transportation Sales Taxes	Taxes levied on sales of taxable items, with all proceeds dedicated to transportation purposes	Local	All purchasers of taxable goods and services
Construction Sales Taxes	A tax levied on all construction activity, in addition to general sales taxes, with all or a portion of the proceeds dedicated to transportation purposes	Local	All purchasers of taxable goods and services

Source: Curtis Lueck & Associates, 2007

Vehicle Registration/Title Fees

Vehicle registration fees and certificate of title fees typically are minor charges. Both fees are collected at the time of the initial registration of the vehicle. Certificate of title is a one-time charge, while registration fees are collected annually, with the renewal of registration. They are collected by the state and are paid by all vehicle owners.

Vehicle Weight Charges

The federal government and states, including Arizona, also assess fees based upon vehicle weight. These charges are typically levied against large trucks and trailers, to recoup some of the extra wear and tear that heavy vehicles impose upon roadways. The federal government assesses sales taxes on trucks and trailers above a specified weight, and on large tires with rated loads in excess of 3,500 pounds. Both the federal government and states impose charges against “heavy-vehicle use” as well. For designated vehicles, Arizona imposes a commercial registration fee and a “gross weight fee” that increases with the vehicle weight.² These charges are paid by owners/operators of large commercial vehicles.

Toll Roads

Toll roads in this country are operated by statewide or interstate toll road agencies, or by private entities. Tolls are usually based upon mileage traveled and are paid by all users of the road. Toll charges typically range from 5 cents to 15 cents per mile for passenger cars and twice that for commercial vehicles, and can vary by time of day and congestion level.³ Interest has grown in either selling existing public toll road systems to private investors, or having private investors build, own and operate new toll road facilities. Arizona considered toll roads in the 1990s for the Phoenix metropolitan area, but the initiative was short-lived and none were constructed. Most toll roads have fully controlled access. In recent decades, vehicle transponder technology and automatic billing have enabled many users to bypass the traditional toll plazas.

Real Property Taxes

Direct user taxes and fees do not generate enough revenue to meet all capital, operation, and maintenance costs of the roadway system. Many local governments seek to enhance these revenues by levying indirect taxes and fees on the two principal sources of local revenue – real property and retail sales. Taxes or fees on property are of four varieties.

Primary Property Taxes

Primary property taxes are collected by local governments, based on assessed valuations (“ad valorem”), and collected annually. Primary property taxes are deposited in the local government’s general fund, and some governments allocate a portion of this revenue to transportation.

Secondary Property Taxes

Secondary property taxes are also “ad valorem” taxes, but they are levied to pay debt service on general obligation bonds approved by voters. General obligation bond debt has been used to fund transportation capital investments.

Improvement Districts or Community Facilities Districts

Many local governments form improvement districts or community facilities districts, which are special taxing districts developed to fund infrastructure capital improvements and operations, including transportation. These districts can be formed to fund capital improvements, operations and maintenance, or both. The districts are funded through assessments placed on all benefiting properties within the district. The Arizona enabling legislation is slightly different for counties than for municipalities.

Development Impact Fees, Exactions, and “In-Lieu” Fees

Development impact fees have become a common source of revenue for local governments, notably for capital improvements to roadway systems. Impact fees are charged against new development, usually both residential

and non-residential, to offset the costs of new capacity demands generated by the development. These fees are paid by developers at the time of building permit issuance, and are typically passed along to the owners and tenants. The fees cannot be used to mitigate pre-existing deficiencies or for non-capital expenditures. In Arizona, jurisdictions that impose impact fees must prepare annual reports that simplify tracking these revenues. Impact fees for roads range from a few hundred dollars to \$10,000 per new house. The fees for non-residential uses also vary widely. Impact fees must be demonstrably proportionate to the actual cost of accommodating travel demand due to the development.

Property development may also generate transportation revenues in the form of private contributions, such as exactions and other conditions of rezoning, developer contributions (typically of right-of-way for public improvements), and direct developer construction of improvements or payments “in lieu” of construction.

Local Sales Taxes

Sales taxes are a second major source of local transportation revenue. They are paid by all purchasers of taxable goods and (in some states) services, unless exempt from payment. Local sales taxes in Arizona are levied in addition to the state rate of 5.6%, of which 0.6% is earmarked for public education and 5% goes to the state’s general fund.

Local General Sales Taxes (Cities and Towns)

Local general sales taxes are levied against all taxable sales, typically as a percent of the purchase price, and are deposited in the general fund. Some local governments allocate a portion of their general fund revenues to transportation purposes. The total local sales tax rate is not prescribed by state law, but may be limited by municipal charter. Most cities charge a 1.5% to 2.0% sales tax. In communities with balanced land uses, sales taxes are large and reliable revenue producers, typically generating at least \$150 per capita per year for each percent of the tax rate.⁴ Counties cannot charge a general sales tax.

Transportation Sales Taxes

Some local governments levy transportation sales taxes on all taxable sales, with all of the proceeds dedicated to transportation. These revenues are typically deposited in special accounts and tracked separately from other government accounts. In Arizona, governments have used both regional transportation sales taxes, levied countywide, and local transportation sales taxes, levied by individual jurisdictions. In many cases, voters are asked to approve a sales tax for specific projects.

Construction Sales Taxes

In addition to general sales tax, some municipalities levy incremental sales taxes on certain construction-related activities.⁵ These revenues, which are statutorily based on 65% of the sales or contract price, are then earmarked for transportation purposes. The tax is collected on new homes and other activities that involve a construction contract, such as installing a swimming pool, re-roofing, or on recurring structural maintenance. Activities subject to the tax are defined by local policy or adopted ordinance. A 2% construction sales tax on a typical \$300,000 new home generates about \$3900 in revenue.⁶

8.1.2.2 Some Basics on Federal and State Highway Revenues

This section provides basic information on federal and state of Arizona transportation revenues. Both federal and state revenues are somewhat complex in their sources and allocation procedures.

Federal Transportation Revenue

Federal transportation revenues and spending are governed by authorization bills approved by Congress. The current authorizing legislation is “The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU), signed into law by President Bush on August 10, 2005. Federal transportation revenue is collected from motor fuel taxes and vehicle weight-related taxes, as shown in Table 8.2. Federal funding is deposited into either the Highway Account or the Mass Transit Account of the Highway Trust Fund.⁷

The federal government collects taxes on gasoline, diesel fuel, and five forms of alternative fuels. With the exception of compressed natural gas, these taxes are imposed on a cents-per-gallon basis, with the rate for gasoline being \$0.183/gallon and for diesel \$0.243/gallon. These tax rates have been in effect since the early 1990s. Gasohol is taxed at \$0.183/gallon, but the tax rates on other alternative fuels are lower.

The federal government also collects taxes on the sale of tires used for vehicles with a gross vehicle weight in excess of 3,500 pounds; on the sale of trucks and trailers in excess of 55,000 pounds and 26,000 pounds respectively; and (annually) on trucks over 55,000 pounds.

Table 8.2 Federal Highway User Taxes and Allocations

Motor Fuel Taxes		Distribution of Tax	
Type of Tax	Tax Rates (cents/gallon)	Highway Account	Mass Transit Account
Gasoline	18.3	84%	16%
Diesel	24.3	88%	12%
Gasohol	18.3	84%	16%
Liquefied petroleum gas	13.6	84%	16%
Liquefied natural gas	11.9	84%	16%
M85 (from natural gas)	9.15	84%	16%
Compressed natural gas	48.54/1,000 cu. ft.	80%	20%
Tires	9.45 cents/10 lbs	100%	0%
Truck and trailer sales	12% of sale price	100%	0%
Heavy-vehicle use	Weight-based max \$550	100%	0%

Source: U.S. Government Accountability Office: "Highway Trust Fund: Overview of Highway Trust Fund Estimates," Table 1, Page 4, April 4, 2006

Depending on the type of fuel, 80% to 88% of the motor fuel tax revenues are deposited into the Highway Account. All of the truck-related taxes are deposited into this account. Revenues in the Highway Account are allocated among a number of programs, as shown in Table 8.3. Four programs account for 55% of federal highway authorizations: Interstate Maintenance, National Highway System, Bridge, and Surface Transportation. These four plus the Equity Bonus program account for 76% of the authorizations.⁸ The following section will discuss the federal highway funding allocation to Arizona and Maricopa County.

Table 8.3 Federal Highway Account Program Categories

Authorization Category (Programs)	5-Year Authorizations	% of Total
Interstate Maintenance	\$25,201,595,000	12.6%
National Highway System	\$30,541,833,000	15.3%
Bridge	\$21,607,442,000	10.8%
Surface Transportation Program	\$32,549,757,000	16.3%
Equity Bonus	\$40,895,552,000	20.5%
High Priority Projects	\$14,832,000,000	7.4%
Congestion Mitigation/Air Quality Improvement	\$8,609,100,000	4.3%
Highway Safety Improvement	\$5,063,923,000	2.5%
Coordinated Border Infrastructure	\$833,000,000	0.4%
Safe Routes to School	\$612,000,000	0.3%
Other Programs	\$18,744,276,000	9.4%
Total	\$199,490,478,000	99.8%

(Percents do not add precisely to 100% due to rounding.)

Source: U.S. Federal Highway Administration, "Highway Authorizations: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (P.L. 109-59," April 6, 2006.)

State-shared Revenues

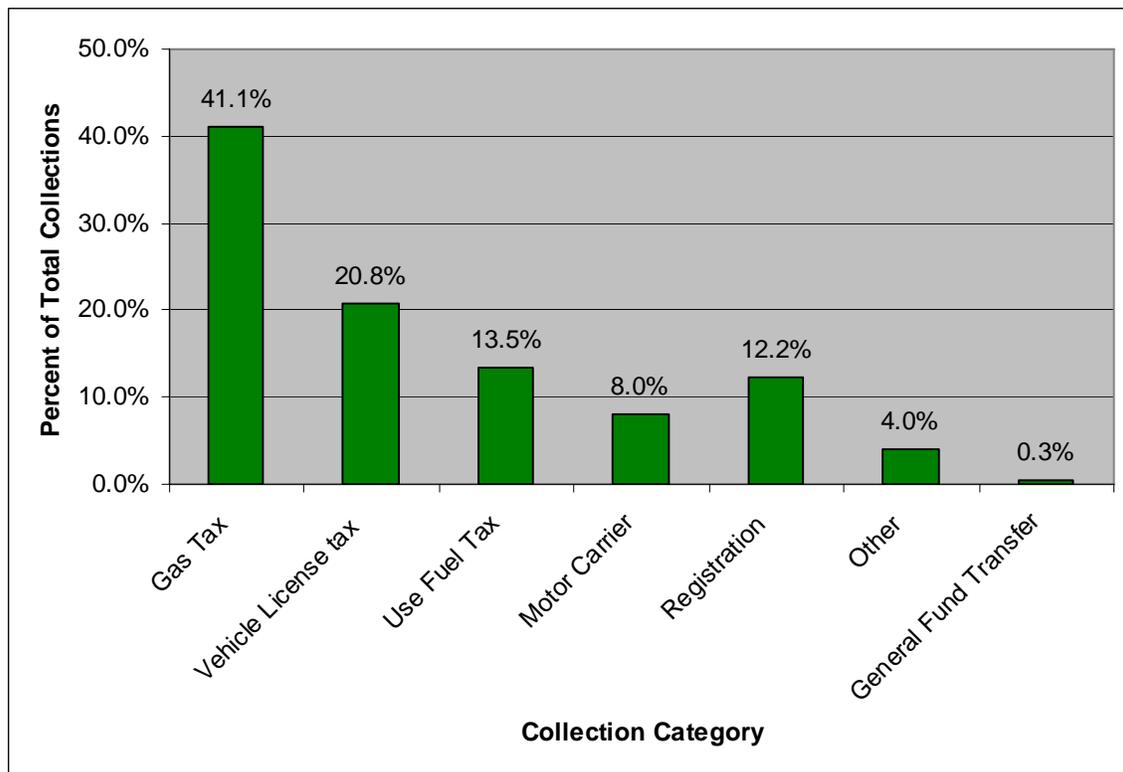
The state of Arizona shares transportation revenues with counties and cities/towns through allocations from HURF, and through a small allocation of VLT revenues to counties for transportation. The percentages of each allocation are fixed by statute.

HURF Revenues (other than VLT)

Arizona collects an array of user-related taxes and fees, which are then deposited in the HURF account. (See Attachment 1 for a chart that ADOT uses to report collections.⁹) HURF is the predominant source of transportation funds for ADOT, municipalities, and counties. In fiscal year (FY) 2006, HURF generated about \$27 per capita for MCDOT and \$83 per capita for municipalities in Maricopa County.¹⁰

The major transportation revenue sources collected by the state are gasoline taxes, use fuel (diesel fuel) taxes, vehicle license taxes, registration fees, and several other fees. Figure 8-1 shows that, between FY 1988 and 2005, gasoline taxes were the single largest source of HURF revenues at approximately 41% (\$7.1 billion¹¹). The next largest source of revenue is the transportation-dedicated portion of the Vehicle License Tax, which accounted for 21% (\$3.6 billion) of collections. Use Fuel taxes accounted for 13.5% of collections, followed by vehicle registration fees at 12%. Motor Carrier Fees made up 8% of the total, with various other fees accounting for the remaining 4%.¹² All of these taxes and fees are assessed at a fixed rate (not indexed or responsive to inflation) except the VLT, which reflects the ever-increasing price of new motor vehicles.

Figure 8-1 HURF Revenue Collections, FY 1988 to 2006



Source, Arizona Department of Transportation, Annual Report for Fiscal Years 1998 to 2006

State statutes prescribe how HURF revenues are allocated to the State Highway Fund and to cities/towns and counties (see Table 8.4). Just over one-half of HURF (50.5%) is distributed to the State Highway Fund, but 7.7% of the grand total is sub-allocated to Maricopa and Pima Counties for controlled access highways, leaving a 42.8% allocation (50.5 – 7.7) to ADOT discretionary programs — i.e., state highway projects throughout Arizona. Cities and towns get 27.5% of HURF revenue and counties 19%. These funds are disbursed to

individual jurisdictions based upon population and origin of fuel sales. Phoenix, Tucson and Mesa, the three largest cities, share the last 3% of HURF revenues, allocated according to their populations.

Table 8.4 HURF Revenue Allocation Formulas

Distribution Breakdown	Distribution Formula
50.5% to State Highway Fund	7.67% to Maricopa and Pima Counties for controlled access (5.7525% to Maricopa and 1.9175% to Pima); 42.83% to ADOT discretionary
27.5% to cities and towns	One-half distributed on the basis of incorporated population and one half on the basis of county origin of gasoline sales and city or town population within each county
3% to cities with over 300,000 residents	Distributed to Phoenix, Tucson, and Mesa based on population
19% to counties	Distribution based partially on gasoline distribution and use fuel consumption (72%) and partially on unincorporated population (28%)

Source: Arizona Revised Statutes

Vehicle License Tax Revenues: HURF and Other

Attachment 2 presents the allocation of state VLT for FY 2006. In that year, approximately 45% of VLT collections were deposited into the HURF, which were then allocated as described above. Another 6% of VLT revenue - not part of the HURF - was distributed among the 15 Arizona counties for transportation purposes. (Two small allocations, together totaling \$400,000, were also made to the State Highway Fund.) The remaining 49% of VLT revenues went to the general funds of the state, counties, cities and towns.¹³

Local Transportation Assistance Fund

There are two Local Transportation Assistance Fund (LTAF) accounts. The LTAF I Fund is funded from state lottery proceeds up to \$23 million per year. The funds are distributed to cities and towns on the basis of population. The funds must be used for public transportation or general transportation purposes depending on the jurisdiction's population.

LTAF II was created by the 1998 legislature to provide additional statewide transit and transportation funding to cities, towns and counties. The LTAF II funding is in the form of the multistate Powerball lottery game and instant bingo game monies, along with a portion of the State Highway Fund's VLT monies. ADOT administers LTAF II and the state treasurer's office distributes the funds to the Regional Public Transportation Authority (RPTA) of Maricopa County, metropolitan planning organizations (MPOs), and cities, towns and counties not represented by an RPTA or MPO.¹⁴

8.1.3 Current Revenue Sources in the Hassayampa Valley Study Area

Following the previous overview of transportation revenues, this section reviews specific revenue sources that entities with transportation responsibilities in the study area use to construct, maintain and operate their roadway systems. Table 8.5 summarizes the transportation revenue sources available to the relevant jurisdictions and transportation agencies. These sources are:

- Federal revenue
- HURF revenue
- Non-HURF VLT revenue
- Regional Area Road Fund (RARF)
- Roadway impact fees
- Sales tax for transportation (other than RARF)
- Construction sales tax
- Secondary property taxes

Study area jurisdictions and transportation agencies have different mixes of current revenue sources.

Maricopa County DOT

HURF is the primary funding source for MCDOT and non-HURF VLT revenues are a secondary funding source.

Buckeye, Goodyear and Surprise

While each jurisdiction receives HURF revenues, their current receipts are relatively small, ranging in FY 2006 from only \$754,000 for Buckeye to approximately \$1.6 million and \$2.7 million respectively for Goodyear and Surprise. Glendale received \$16.9 million, but only a small portion of the city lies within the Hassayampa Valley study area. These jurisdictions all levy development impact fees for transportation, and also generate revenues from exactions and developer contributions. Goodyear and Surprise levy construction sales taxes; Glendale has a local transportation sales tax; Glendale and Goodyear use secondary property taxes to service general obligation bond debt.

ADOT

ADOT receives its revenues from HURF, RARF (through MAG), and several federal programs. It uses this funding primarily to construct, operate and maintain the state highway system, including the regional freeway system in Maricopa County.

MAG

MAG acts as a conduit for certain federal aid and local (Proposition 400/regional transportation sales tax) funding. Ultimate recipients of these funds include both ADOT and local jurisdictions. Federal aid is distributed according to SAFETEA-LU and related legislation.

Following Table 8.5 are brief analyses of the FY 2006 transportation revenues for each jurisdiction and transportation agency.

Table 8.5 Summary of Existing Transportation Revenue Sources

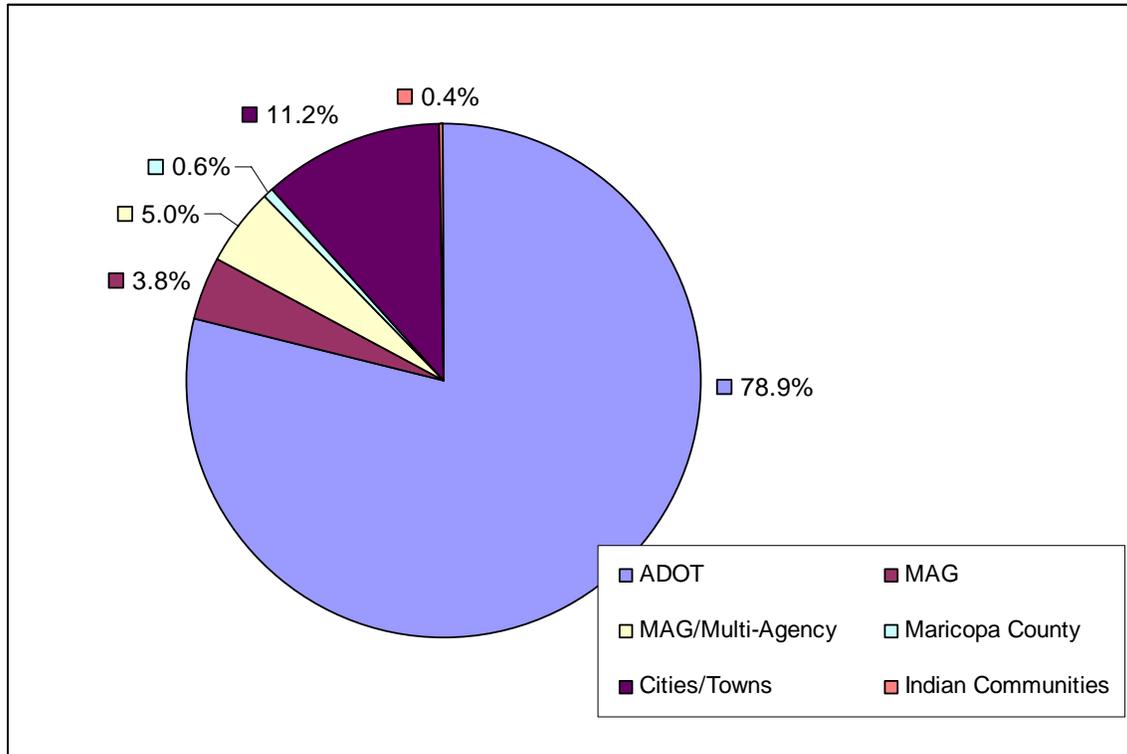
Jurisdiction	Federal Revenues	HURF/VLT	Non-HURF VLT	RARF	Residential Roadway Impact Fees	Commercial Roadway Impact Fees	Sales Tax for Transportation	Construction Sales Tax	Secondary Property Taxes
Maricopa County	No	Primary Source	Secondary Source	No	No	No	Not Authorized	Not Authorized	No
Buckeye	No	Secondary Source	No	No	Yes	Yes	No	No	No
Glendale	No	Primary Source	No	No	Yes	Yes	Yes	No	General Obligation Bonds
Goodyear	No	Secondary Source	No	No	Yes	Yes	No	Yes	General Obligation Bonds
Surprise	No	Secondary Source	No	No	Yes	Yes	No	Yes	No
ADOT	Primary Source	Primary Source	No	Primary Source	Not Authorized	Not Authorized	No	Not Authorized	Not Authorized
MAG	Secondary Source	Not Authorized	No	Secondary Source	Not Authorized	Not Authorized	No	Not Authorized	Not Authorized

Source: Curtis Lueck & Associates, 2007

8.1.3.1 Federal Funding

The primary sources of federal revenue in the region are allocated through the major federal highway funding categories. The MAG Transportation Improvement Program (TIP) reports \$1,148 million in federal revenues in the FY 2008–2012 TIP. ADOT is the ultimate recipient of almost 80% of the federal revenue in the MAG TIP (Figure 8-2). ADOT spends these funds on the regional freeway system and other state highways. The municipalities receive approximately 11%. The remainder is divided among MAG, MCDOT and other agencies.

Figure 8-2 Agency Recipients of Federal Revenues



Source: Maricopa Association of Governments, "FY 2008-2012 Transportation Improvement Plan"

8.1.3.2 HURF and Non-HURF (VLT) Revenues

State-shared revenues include HURF allocations, a recurrent funding source for all study area jurisdictions, and non-HURF VLT revenues, a secondary source of revenues for MCDOT. These revenues can be distinguished between 1) state-shared revenue (distributed to local governments by statutory formula) and 2) the State Highway Fund.

State-Shared Revenues

As noted previously, the state shares HURF revenue with local governments. Counties receive HURF revenue from the 19% county allocation. Buckeye, Glendale, Goodyear, and Surprise receive state-shared HURF revenue from the 27.5% cities and towns allocation. In addition, MCDOT shares in an allocation of non-HURF VLT revenues allocated to counties for transportation purposes.

Table 8.6 shows receipts of HURF/VLT for study area jurisdictions in FY 2006. Maricopa County DOT received approximately \$105 million: \$96 million in HURF and \$9 million from the (non-HURF) county VLT fund. HURF/VLT accounts for approximately 90% of MCDOT's annual revenues.

Buckeye received only \$754,000 in HURF in FY 2006. With the explosive growth expected in the Buckeye MPA, however, its share of HURF revenue is expected to increase markedly over time.

**Table 8.6 FY 2006 HURF and VLT Receipts for
Hassayampa Valley Jurisdictions**

Jurisdiction	FY 2006 HURF Receipts	FY 2006 Non-HURF VLT Receipts	Total FY 2006 HURF/VLT Receipts
MCDOT	\$95,865,000	\$9,373,000	\$105,238,000
Buckeye	\$754,000	N/A	\$754,000
Glendale	\$16,888,000	N/A	\$16,888,000
Goodyear	\$1,614,000	N/A	\$1,614,000
Surprise	\$2,714,000	N/A	\$2,714,000
Total	\$117,835,000	\$9,373,000	\$127,208,000

Sources: Arizona Department of Transportation, "Highway User Revenue Fund: Fiscal Year 2006 Year End Report" and "Vehicle License Tax Distribution: FY 2006"

State Highway Fund

As described in the previous section, Arizona state statutes allocate 50.5% of HURF revenues to the State Highway Fund. Table 8.7 shows the FY 2006 State Highway Fund revenues available in Maricopa County. For that year, the MAG controlled access allocation was \$72,576,000. Available ADOT discretionary revenues were just under \$200 million.

**Table 8.7 MAG Controlled Access and
ADOT Discretionary Revenues**

Revenue Source	Revenues
MAG Controlled Access	\$72,576,000
ADOT Discretionary (MAG Area)	\$199,751,000
Total	\$272,327,000

Source: Arizona Department of Transportation, "Maricopa County Transportation Excise Tax: Fiscal Year 2006 Year-End Report," August 2006

8.1.3.3 Regional Area Road Fund

In 1985, Maricopa County voters approved a twenty-year, regional one-half cent transportation sales tax, which expired on December 31, 2005. On November 2, 2004, voters extended the tax for an additional twenty years, to expire on December 31, 2025.

This voter-approved measure, known as Proposition 400, provides funding to implement the MAG Regional Transportation Plan (RTP), including both roads and public transit. Revenues from the extended sales tax are distributed as shown in Table 8.8 and Attachment 3. The sales tax will generate an estimated \$14.4 billion, with \$8.2 billion (56.8%) going to freeways; \$1.5 billion (10.4%) to arterial streets; and the remaining \$4.7 billion (33.3%) to public transportation – both bus and light rail.

Table 8.8 Distribution of Extended Regional Half-Cent Sales Tax

Fund	Revenues (\$ billion)	Percent of Total
Regional Area Road Fund	\$9.670	67.2%
<i>Regional Freeway System</i>	<i>\$8.178</i>	<i>56.8%</i>
<i>Arterial Streets</i>	<i>\$1.492</i>	<i>10.4%</i>
Public Transportation Fund	\$4.727	32.8%
Total	\$14.397	100.0%

Source: Arizona Department of Transportation: Maricopa County Transportation Excise Tax: Forecasting Process & Results, FY 2006-2026 Italics indicate components of the RARF.

ADOT reports that the sales tax generated \$367.6 million in FY 2006, with distributions as reported in Table 8.9. In this first year of the extended sales tax, expenditures on the regional freeway system, as a percentage of expenditures, are higher than established for the full twenty-year program, because freeway system improvements are farther along in the design process than the Arterial Streets and Public Transportation Fund components. These components will show higher expenditures as their projects are developed and brought to construction and operation in future years.

Table 8.9 FY 2006 Distributions of Half-Cent Sales Tax Revenues

Fund	Revenues (\$ million)	Percent
Regional Freeway System	\$292.5	79.6%
Arterial Streets	\$16.1	4.4%
Public Transportation Fund	\$51.1	13.9%
Regional Planning (from regional freeway account)	\$7.9	2.1%
Total	\$367.6	100%

Source: Arizona Department of Transportation, "Maricopa County Transportation Excise Tax: Fiscal year 2006 Year-End Report"

ADOT will have the major responsibility for programming and expending the freeway funds, while local jurisdictions will be responsible for the arterial streets program.

8.1.3.4 Roadway Impact Fees

All of the jurisdictions in the study area, including Maricopa County, have statutory authority to levy development impact fees for transportation and other purposes. The four municipalities have impact fees for transportation, but Maricopa County does not. Buckeye recently began collecting a Streets Impact Fee. Glendale, Goodyear, and Surprise recently amended or proposed amendments to their development impact fee programs.

Buckeye

Buckeye has a comprehensive impact fee program, which includes fees for numerous municipal services. The fees are imposed on residential and non-residential construction. The residential fee is about \$7,400 per new home, of which the roadway component is \$319 per home. The town's FY 2006 budget estimated impact fee revenue at \$957,000. The adopted FY 2007 budget reports a "prior year's carry-forward" of \$789,000 and also estimates Street Impact Fees for the year of \$708,000 (including \$8,000 in interest income). The total estimated impact fee budget expenditures for FY 2007, therefore, are \$1,497,000 (\$708,000 plus the carryover of \$789,000).

Glendale

Glendale imposes impact fees for transportation on both residential and non-residential development. The city council approved fee increases effective in September 2006. The new residential fee per housing unit ranges from \$591 (for multi-family housing) to \$1,160 (for single-family detached housing). Non-residential fees range from \$694 to \$4,858 per 1,000 square feet, depending on the type and intensity of use.

Goodyear

At its December 11, 2006 meeting, the Goodyear city council approved sweeping amendments to its transportation impact fee program. The amendments lowered the existing Transportation Development Fee for residential and office development, while raising the fee for retail and industrial development. They also supplemented this fee with the new Regional Transportation Fee and Arterial Street Fee. The Transportation Development Fee and Arterial Streets Fee are uniform across the city, while the Regional Transportation Fee differs between two zones. These amendments take effect on July 1, 2009. Table 8.10 presents the current and amended fee schedules.

Table 8.10 Goodyear Transportation Impact Fee Schedule

Land Use	Current Fees (through 6/30/09)		New Fees Effective 7/1/09		
	Transportation Development Fee		Regional Transportation Fee		Arterial Street Fee
	Current	New 7/1/09	Zonal North	Zonal South	
Single Family Residential (per DU)	\$824.00	\$566.00	\$90.00	\$980.00	\$239.00
Multifamily Residential (per DU)	\$571.00	\$372.00	\$59.00	\$644.00	\$157.00
Retail (per square foot)	\$1.53	\$2.71	\$0.43	\$4.69	\$1.14
Office (per square foot)	\$0.90	\$0.83	\$0.13	\$1.44	\$0.35
Industrial (per square foot)	\$0.24	\$0.60	\$0.09	\$1.04	\$0.25

Sources: City of Goodyear, Ordinances No. 06-1046, 06-1047, and 06-1048, adopted on December 11, 2006

Surprise

In March 2007, the city council voted to adopt eleven amendments to the city's impact fee program, including a new Roads of Regional Significance Development Fee, effective July 1, 2007. The proposed Roads of Regional Significance Development Fee would be tailored to six Special Planning Areas (SPAs) within the city. No fee is proposed for SPA #1, because no roads of regional significance will be constructed there. Table 8.11 reports the fee schedules for the remaining five areas.

8.1.3.5 Local Sales Tax for Transportation

Glendale is the only study area jurisdiction with its own half-cent sales tax for transportation. On November 6, 2001, Glendale voters approved the tax to fund transportation improvements, including transit, streets, bicycle, pedestrian, and aviation modes, as described in the "Glendale Onboard" (GO!) transportation plan. There is no expiration date for this transportation sales tax.

The current Glendale Capital Improvement Plan (CIP) assumes annual revenues of almost \$14.7 million from this transportation sales tax. The CIP shows transportation revenue bond sales funded by the sales tax revenues of \$25 million in FY 2007 and \$10 million for each of the next two fiscal years. According to the GO! 25-Year Program, most of the expenditures will be made for transit (51%) and streets (42%).¹⁵ Bicycle and pedestrian facilities will account for 2% of expenditures and all other programs for the remaining 5%.

Sales tax receipts in the GO! 25-Year Plan account for 46% of all CIP revenue, which will be supplemented with federal, state and regional funds at 49%. The remaining 5% will come from transit fares, city general funds and other sources.

Table 8.11 Surprise's Proposed Roadway Development Impact Fee

Residential Fee per Housing Unit	SPA 2, 4, and 6	SPA 3 and 5
Single-family Detached	\$5,715	\$5,396
Single-family Attached; Multi-family 1-9 units	\$4,013	\$3,789
Multi-family 10 or more units	\$4,013	\$3,789
All other residential	\$2,980	\$2,814
Non-residential per 1,000 S.F.		
Commercial/Shopping Center		
< 25,000 S.F.	\$16,322	\$15,411
25,000 - 50,000	\$14,179	\$13,388
50,000 - 100,000	\$11,842	\$11,181
100,000 - 200,000	\$10,135	\$9,570
> 200,000 S.F.	\$8,614	\$8,133
Office/Institutional		
< 10,000 S.F.	\$6,603	\$6,234
10,000 - 25,000	\$5,347	\$5,049
25,000 - 50,000	\$4,560	\$4,306
50,000 - 100,000	\$3,887	\$3,670
> 100,000 S.F.	\$3,313	\$3,128
Business Park	\$3,718	\$3,511
Light Industrial	\$2,031	\$1,918
Manufacturing	\$1,641	\$1,051
Warehousing	\$1,113	\$1,365
Hotel (per room)	\$1,445	\$1,549

Source: See Public Notice of Intent to "accept the 11 written development impact fee reports prepared for the City of Surprise by TischlerBise," at <http://www.surpriseaz.com/Index.asp NID=1157>

8.1.3.6 Construction Sales Tax

Goodyear and Surprise both levy a construction sales tax with revenues allocated to transportation.

Goodyear

Goodyear has levied a construction sales tax of 3.5% since January 1, 2005. According to its FY 2007 budget, Goodyear collected \$3.0 million in construction sales tax revenue in (partial) FY 2005 and \$6.0 million in FY 2006. The city budgeted \$1.2 million in FY 2007.

Surprise

Surprise collects a 1.5% construction sales tax, which is dedicated partially to "Transportation Enhancements" and deposited into a fund with the same name. According to the current budget, construction sales tax revenue for FY 2007 is estimated at \$14.8 million, FY 2008 at \$8.0 million, FY 2009 at \$12.0 million, FY 2010 at \$18.0 million, and FY 2011 at \$20.0 million.

The CIP forecasts general obligation bond proceeds, repaid with secondary property taxes, of \$9.3 million available in the Transportation Enhancement Fund for FY 2009.

8.1.3.7 Secondary Property Taxes

Voters in Glendale and Goodyear have approved general obligation bonds for transportation improvements, with the jurisdictions using secondary property taxes to repay this debt.

Glendale

On November 2, 1999, Glendale voters approved \$411.5 million in general obligation authorizations, which included funding for streets, parking and transit. According to the city's current CIP, \$6,919,000 in authorized funding remains for streets and parking, while \$6,750,000 remains for transit. Further bond sales for streets and parking are not anticipated until FY 2009. The current CIP schedules no bond sales for transit until FY 2012 or later.

General obligation bonds are repaid with secondary property taxes. According to the current CIP, the secondary property tax rate for debt service is \$1.4275 per \$100 assessed valuation in FY 2007, scheduled to increase to \$1.4715 per \$100 in FY 2011. Total debt service in FY 2007 will be \$20 million, increasing to \$26.3 million in FY 2011.

Goodyear

The FY 2007 budget reports general obligation bond debt service for streets of \$1,228,000 in that year, with a corresponding secondary property tax rate of \$0.33/\$100 of assessed valuation.

8.1.3.8 Conclusion

The sources of transportation revenue currently used in the study area are varied. Each entity with transportation responsibilities uses a different mix of funding sources. Use of each source is typically restricted, either by the state constitution or by federal and state statutes. Furthermore, only the *ad valorem* revenues increase with inflation, while the other (and generally larger) revenue sources are not indexed to inflation and have therefore lost purchasing power over time. It is becoming increasingly clear that reliance on fuel consumption taxes is not a sustainable long-term strategy.

The next section explores currently available alternatives for enhancing revenue sources.

8.1.4 Other Authorized Revenue Sources

This section introduces six revenue sources currently authorized by statute that could be expanded or initiated in the Hassayampa Valley. They are (1) broader use of development impact fees, (2) use of general funds for transportation purposes, (3) private contributions, (4) a countywide transportation property tax, (5) toll roads, and (6) continuation of the countywide one-half cent sales tax beyond its current 2025 expiration date. The primary advantage of considering these revenue alternatives is that new enabling legislation is not needed, although formal adoption by the local jurisdiction(s) would be required.

This section demonstrates that, under current state statutes, the options for increasing transportation funding in the Hassayampa Valley are limited. Section 8.2 addresses alternative revenue sources that are not currently authorized and would require new legislation.

8.1.4.1 Broader Use of Transportation Impact Fees

The four municipalities in the study area already have impact fees, but Maricopa County does not. The Board of Supervisors could adopt an impact fee ordinance by majority vote. Procedures and timelines are specified in A.R.S. 11-1102. MCDOT previously evaluated the potential for roadway impact fees and is currently addressing how impact fees might be used to co-fund improvements on the state highway system, especially portions of SR-60 and SR-74. A logical extension of this inter-agency concept is the creation of a Hassayampa Valley Benefit Area, with all five of the local jurisdictions participating in an impact fee program for projects identified in this study.

If Maricopa County would be willing to adopt an impact fee for roadways, the creation of such a multi-jurisdictional benefit area could be achieved through a formal intergovernmental agreement. A consistent

impact fee program for the area might help to resolve policy issues, such as different fees for similar developments on opposite sides of jurisdictional boundaries. Impact fees can be a reliable revenue source for capital improvements, but only in a growing community or area. If growth slows during economic downturns, or if a community is built out, impact fees lose their utility. Given the rapid growth expected in the study area for many years, however, impact fees are expected to remain viable and worthy of continued consideration.

8.1.4.2 Use of General Funds

General funds at all levels of government are a scarce resource used for myriad public purposes. Although general funds are seldom used for roadway projects, they are frequently used to support public transit (often because no other funds are available). General funds are sometimes used, through special allocations or earmarks, for sorely needed projects. For instance, under the Statewide Transportation Acceleration Needs (STAN) legislation, ADOT and regional authorities such as MAG will use more than \$300 million in general fund transfers to accelerate urgent highway projects across the state. About \$193 million will be used in the MAG region. Some state legislators have recently expressed interest in continuing this program, which may be consistent with Governor Napolitano's desire to enhance infrastructure investment throughout the state. However, the availability of general funds for transportation depends on the total revenue collected by the state or local government. This amount can increase or decrease substantially from one year to the next, making the general fund an unpredictable source.

8.1.4.3 Private Contributions and Exactions

These include dedication of rights-of-way, fulfillment of rezoning conditions and development agreements, and exactions imposed on land developers through the entitlement process. The financial importance of this source is potentially very significant, although not readily quantifiable because conditions differ among jurisdictions, and sometimes even within a jurisdiction. Contributions and exactions are best addressed as policies and strategies to obtain rights-of-way along prescribed corridors, which can be achieved during initial phases of the development process if corridor-level roadway plans are available.

8.1.4.4 Countywide Property Tax for Transportation

State law allows Arizona counties to impose a property tax up to 25¢ per \$100 of assessed valuation for roadways¹⁶, although none apparently have done so. For Maricopa County's \$34 billion assessed valuation, the tax could yield about \$85 million per year.¹⁷ This is about the same amount that would be generated countywide by a sales tax of 0.12%, or roughly one-eighth cent per dollar.

8.1.4.5 Toll Roads

State laws specifically empower counties and ADOT to approve privately-built toll roads, but are silent on the power of municipalities to do so. The legislation for counties (A.R.S. 28-6801) is an archaic and humorous remnant¹⁸ in contrast to the 1991 authorization for ADOT (see A.R.S. 28-7701 *et seq*), which established a privatization demonstration program. A pilot study initiative in the early 1990s using unsolicited proposals was short-lived, although it generated several technical studies and investment proposals. The original legislation was amended to allow only solicited proposals.¹⁹ None have been solicited, however.

Substantial interest in toll roads exists at the federal, state, and local levels of government. The Federal Highway Administration (FHWA) is conducting extensive research on the topic. SAFETEA-LU has provisions for \$15 billion in private activity bonds, and encourages states to examine toll roads. As national trends toward privatization and toll roads continue, it seems fitting to carefully consider toll facilities (either public, private or public-private partnerships) for the Hassayampa Valley study area.

An additional toll concept is so-called "shadow tolls," which are per-vehicle amounts paid to a facility operator by a third party such as a sponsoring governmental entity, rather than by facility users. Like traditional tolls, shadow toll payments may be based on the type of vehicle, distance traveled and time of day. Shadow tolls can be an element of a funding program wherein a public or private sector developer/operator accepts certain obligations and risks — such as construction, operations and maintenance, and most specifically traffic — and receives periodic shadow toll payments in place of, or in addition to, real or explicit tolls paid by users. Funds for shadow tolls can come from government or private sector sources, including state highway funds and

regional dedicated tax streams. The concept of shadow tolls is neither specifically allowed nor disallowed by existing state statutes.

8.1.4.6 Continuation of Half-Cent Countywide Sales Tax (Proposition 400)

The existing transportation sales tax could conceivably be extended by the voters for another twenty-year period to help fund more time-remote projects, such as those identified in this study. As discussed above, this tax is a very prominent revenue source, and another extension could be a financial foundation for long-range elements of the Hassayampa Valley roadway network. A public vote for a further extension would require authorization by the state legislature, and possibly action by the county Board of Supervisors depending on the terms of the legislation.

8.2 Additional Sources of Potential Transportation Revenue

8.2.1 Introduction

Overview

Transportation officials at every level of government lament inadequate funding, constantly search for new sources of funding, and make tough compromises to stretch existing revenue. Given the population projections and increasing travel demand in the study area, study area jurisdictions must succeed in finding additional revenue.

Section 8.1 reviewed existing transportation revenue available to the jurisdictions responsible for roadway systems in the study area.²⁰ Existing sources of transportation revenue are varied, including user fees such as gasoline taxes, vehicle registration fees, charges based on the weight of vehicles, regional and local sales taxes, impact fees and property taxes. Section 8.1 did not include precise estimates of existing revenue specifically available for use in the study area. It did, however, note that existing sources of transportation revenue will be inadequate to fully fund future transportation needs in the study area. For purposes of this study, existing revenue sources (including the regional half-cent countywide sales tax) are assumed to continue in the future.

Section 8.2 explores several potential new ways to augment transportation revenue. State statutes already authorize some of the identified sources. Most of the potential revenue sources, however, would become available only after the state legislature approves them, or gives local jurisdictions the option of approving them.

In some instances, the revenue option is intended to raise existing taxes (i.e., statewide gasoline and use fuel or diesel taxes)²¹, while other options could be used as variants of existing taxes; for example, a new local option fuel tax. Still other options would create completely new taxes (a sales tax on gasoline) or introduce market-like mechanisms (such as congestion pricing or toll roads) to generate revenue. Some options (impact fees or higher fuel taxes) could supplement existing sources. Some alternatives are more “near-term” (for example, Maricopa County could implement a transportation impact fee program fairly quickly), while others would require more lead time to implement (e.g., toll roads).

This section discusses a variety of options, identifies examples of their existing use elsewhere, describes how they might be organized and administered, and, where possible, provides an indication of their revenue potential.

Identifying Potential Sources of Additional Revenue

It is important to frame policy decisions in the context of both needs and trends. To establish a current context for innovative finance, the study team researched the Internet for sites related to transportation funding and alternative transportation financing. This research revealed the “state of the discussion” on transportation financing, ensuring that the MAG study team reviewed a representative range of funding alternatives.

Some sites and documents were very specific in their analysis and concentrated on options like the federal fuel tax or toll facilities. Other sites focused on statewide transportation funding options, often focusing on alternative financing instruments, such as grant anticipation notes. A few sites reviewed transportation financing at the local government level, identifying a variety of alternatives such as sales taxes and impact fees.

Two sites are recognized for their comprehensive lists of transportation funding sources: the Victoria (British Columbia) Transport Policy Institute (VTPI) and the Santa Cruz County, California, Transportation Funding Task Force (TFTF).²²

VTPI identifies nine categories of transportation funding:

- Parking pricing
- Road pricing
- Fuel tax increases and surcharges
- Dedicated local or regional sales taxes
- Transportation impact fees
- Special property taxes
- Vehicle impact mitigation charges
- Business and employee assessments
- Grants

Santa Cruz County TFTF identifies eleven additional sources of transportation funding (not just for roadways):

- Countywide sales tax
- City by city sales tax
- Gasoline tax (local option)
- Regional traffic impact/developer fees
- Parcel and property taxes
- Visitor taxes (tax on tourism; e.g., rental cars and lodging)
- Vehicle license or registration fee increases
- Increased transit fares
- Increased fines
- Tolls
- Payroll taxes

Potential Revenue Sources Included in this Analysis

The study team blended the VTPI and TFTF lists of sources to develop a menu of potential additional transportation revenues, with two clarifications:

- The FY 2008-2012 MAG TIP notes that 75% of TIP funding is state, regional or local and 25% federal. Beyond the familiar ideas of raising and indexing federal fuel taxes, ending diversion of taxes from the Highway Trust Fund, and reinstating interest on the Trust Fund balance, strategies to increase available federal revenue are long-term and beyond the control of local jurisdictions.
- The study team did not investigate borrowing strategies in any detail. Transportation entities employ borrowing strategies (such as state infrastructure banks and grant anticipation notes) to accelerate the construction of facilities, using future revenue for debt service. This discussion identifies general obligation bonds as a potential source of project acceleration, but not as a revenue source *per se*.

The potential revenue estimates presented assume that additional taxes or fees would not exceed any “inelasticity” between prices and demands for fuel, purchases of vehicles, or residential and non-residential development (i.e., it assumes that higher taxes or fees would not reduce the activities that generate these revenues in the first place). To the extent that this assumption is incorrect, estimates of revenue potential for the options discussed below would be too high. This analysis is designed solely to provide comparative general information on funding options, and not to make precise, economic calculations of revenue potential.

Potential sources of additional revenue are categorized as either funding options or financing options.

Funding options include:

- A.
 1. User fees, such as
 - a. Fuel taxes, including increases in existing taxes
 - b. Statewide rate increases and/or indexing to inflation
 - c. Local options to levy and index fuel taxes
 - d. Levy a statewide sales tax on fuel sales
 - e. Local options to levy sales taxes on fuel sales
 2. Local option for Vehicle Registration Fees
- B. Sales taxes, including
 1. A statewide sales tax dedicated to transportation
 2. Legislative authorization for the Maricopa County Board of Supervisors (or voters) to add another half-cent transportation excise (sales) tax
- C. Property-related fees and taxes, including
 1. Impact fees
 - a. Maricopa County
 - b. Regional or subarea benefit areas
 - c. Statewide impact fees
 2. Primary property taxes and general fund expenditures
- D. Road-use-based strategies, including
 1. Congestion pricing
 2. Mileage-based fees
 3. Toll facilities

Financing options considered in this analysis relate to general obligation bonding for transportation purposes, either by Maricopa County or by cities and towns.

8.2.2 Potential Sources of Additional Revenue

There are two general sources of additional revenue: funding options and financing options (i.e., general obligation bonding).

8.2.2.1 Funding Options

Funding options in this discussion refer to:

- User Fees, which include (a) taxes on fuel (gasoline and use fuel) and (b) vehicle registration and license fees. Fuel taxes include the current (per-gallon) taxes collected on gasoline and use fuel, as well as an additional sales tax on fuel sales. Both forms of taxation could be levied either statewide or by local option, or both. A fuel tax (in cents per gallon) is technically different from a sales tax (as a percentage of the value of fuel sales). Arizona does not currently have the latter type of tax on motor fuel.
- Transaction privilege taxes (sales taxes) imposed specifically for transportation purposes, either (a) statewide and distributed by statutory formula for state and local roads or (b) an additional transportation sales tax just for Maricopa County that could be imposed on the entire county or in areas of high transportation demand.
- Property-related fees and taxes, such as (a) impact fees and (b) a property tax levy for county roads.
- Road-use based charges, such as (a) distance-based charges, (b) toll roads, and (c) congestion pricing.

User Fees

Potential sources of additional transportation revenue generated from user fees could include (a) changes to how fuel taxes are imposed and (b) local options for collecting vehicle registration and license fees.

Fuel Taxes

States vary significantly in how they tax the sales of gasoline and use fuels. Attachment 4 presents a state-by-state analysis of gasoline and use fuel/diesel taxes.²³ The data first identifies base statewide gasoline and use fuel taxes, and then additional taxes imposed for transportation and related purposes.

Compared to some other states, Arizona has a simple fuel tax structure:

- 18 cents per gallon on “motor vehicle fuels” (A.R.S. §28-5606(A)) and on use fuel for “light class motor vehicles” (A.R.S. §28-5606(B)(1))²⁴;
- 26 cents per gallon for “use class motor vehicles”²⁵; and,
- 1 cent per gallon as the underground storage tank tax (A.R.S. §28-6001 *et. seq.* and §49-1031 *et. seq.*)

When comparing Arizona’s statewide fuel taxes to those in other states, some important differences emerge.

- First, 32 states levy higher base gasoline taxes, 33 states levy higher use fuel taxes on light class vehicles; and 10 states levy higher use fuel taxes on use class vehicles.
- Equally important, Attachment 5 contains a map that identifies 28 states with “variable fuel tax rates,” such as (a) “percent” or sales taxes, (b) automatic rate adjustments, and (c) local option taxes.

Following are discussions analyzing several possible scenarios, based upon the information presented in Attachments 4 and 5:

- Raising and indexing statewide fuel taxes;
- Local options for levying and indexing fuel taxes;
- Levying a statewide sales tax on fuel sales; and
- Local options for levying and indexing sales taxes on fuel sales.

Raising and Indexing Statewide Fuel Taxes

Fuel taxes on gasoline and diesel fuels have long been the most important source of transportation revenue at the federal and state levels. The federal government also collects taxes on alternative fuels, but Arizona does not currently do so.

There are many reasons for raising gasoline taxes.²⁶ Among the reasons cited are: fuel taxes are lower now (when adjusted for inflation) than in the past; the costs of transportation projects are increasing faster than revenue; demand for gasoline is relatively inelastic with respect to price; and fuel taxes are user fees that, at certain thresholds, should send “price signals” to motorists to use the roadway system more efficiently.

While many reports and commentators argue for phasing out fuel taxes in favor of more market-driven charges (tolls, distance-based fees, etc.), they all agree that fuel taxes will continue in use for some time. They are a convenient mechanism as long as vehicles are refueled at some sort of traditional filling station.

The legislature has not increased Arizona gasoline and use fuel tax rates since the early 1990s. Since then, inflation has significantly eroded the purchasing power of the resulting revenues (Figure 8-3).²⁷ Arizona’s gasoline tax rate was last raised in 1990, to 18 cents per gallon. By 2006, inflation had reduced the value of the gasoline tax to 6.9 cents per gallon (in 1990 dollars). The rate would need to be set at 27.6 cents per gallon today to have kept pace with inflation. Increasing vehicle fuel efficiency has also reduced the value of the tax by tending to reduce gasoline sales. The only “bright spot” for the motor fuel tax results from rapid growth in the Arizona population and number of vehicles, which tends to increase total vehicle miles of travel.

Options for addressing the impacts of inflation are:

Option 1 Raise the Gasoline Tax Rate

Option 1 would simply increase the gasoline tax rate from 18 cents to 24 cents per gallon. Attachment 4 shows that 32 states currently have gasoline taxes higher than Arizona's, ranging from 19 cents per gallon in Vermont to 33 cents in Wisconsin. The average gasoline tax rate for these thirty-two states is 24 cents per gallon.

This option would leave the use fuel tax at its current 26 cents per gallon, which already is among the 15 highest state tax rates for diesel fuel.

Option 2 Index the Existing Rates for Gasoline and Use Fuel to Inflation

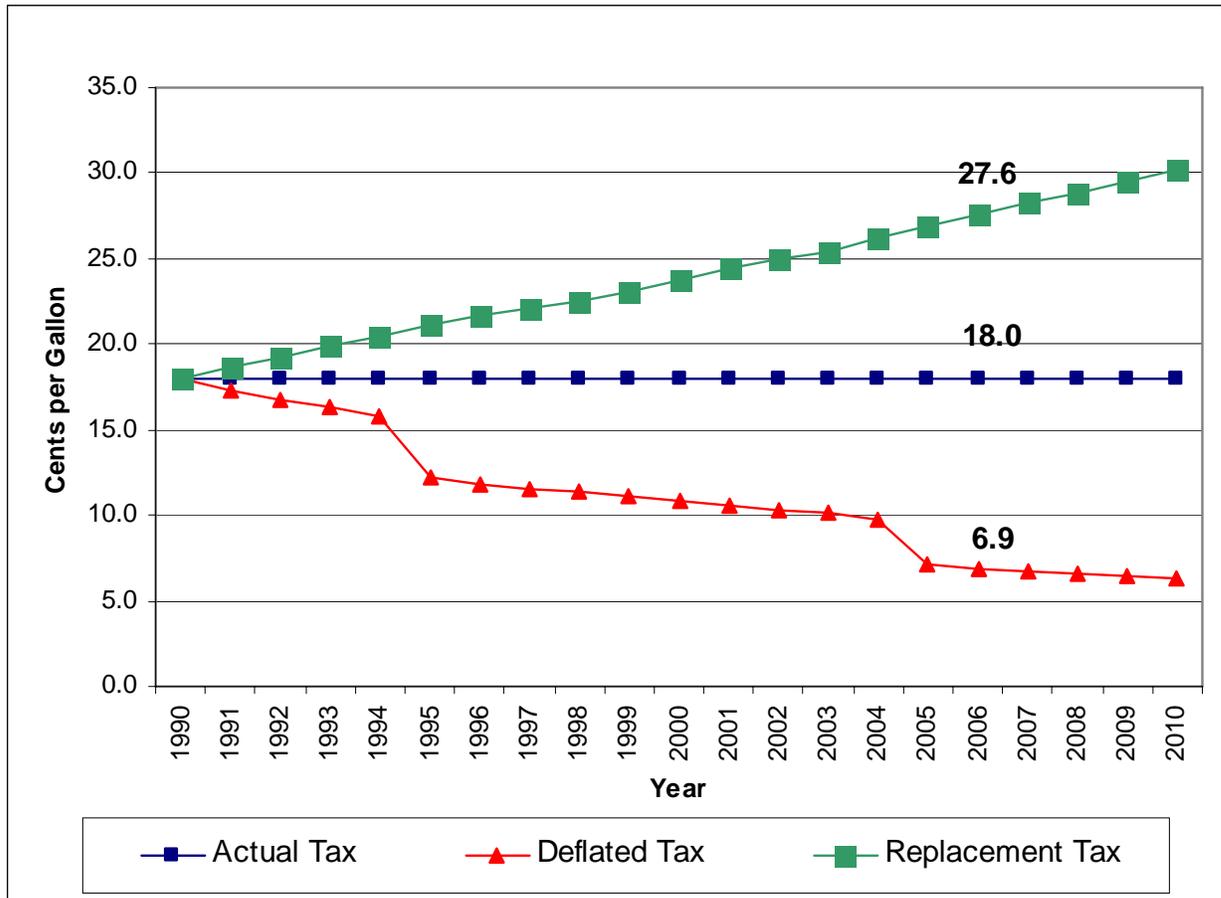
Option 2 would index the gasoline and use fuel tax rates to inflation, starting from the existing rates of 18 cents per gallon for gasoline and 26 cents per gallon for use fuel. The analysis assumes an annual inflation rate of 2.3%.²⁸

Option 3 Raise the Current Gasoline Tax Rate; Index From The New Rate; and Index Use Fuel from Existing Rate.

Option 3 would index the gasoline and use fuel taxes to an assumed inflation rate of 2.3% per year, starting with an immediate gasoline tax increase to 24 cents per gallon and the use fuel tax at its existing rate of 26 cents per gallon.

Attachment 6 provides calculations for how each option would increase revenue from fuel taxes.²⁹

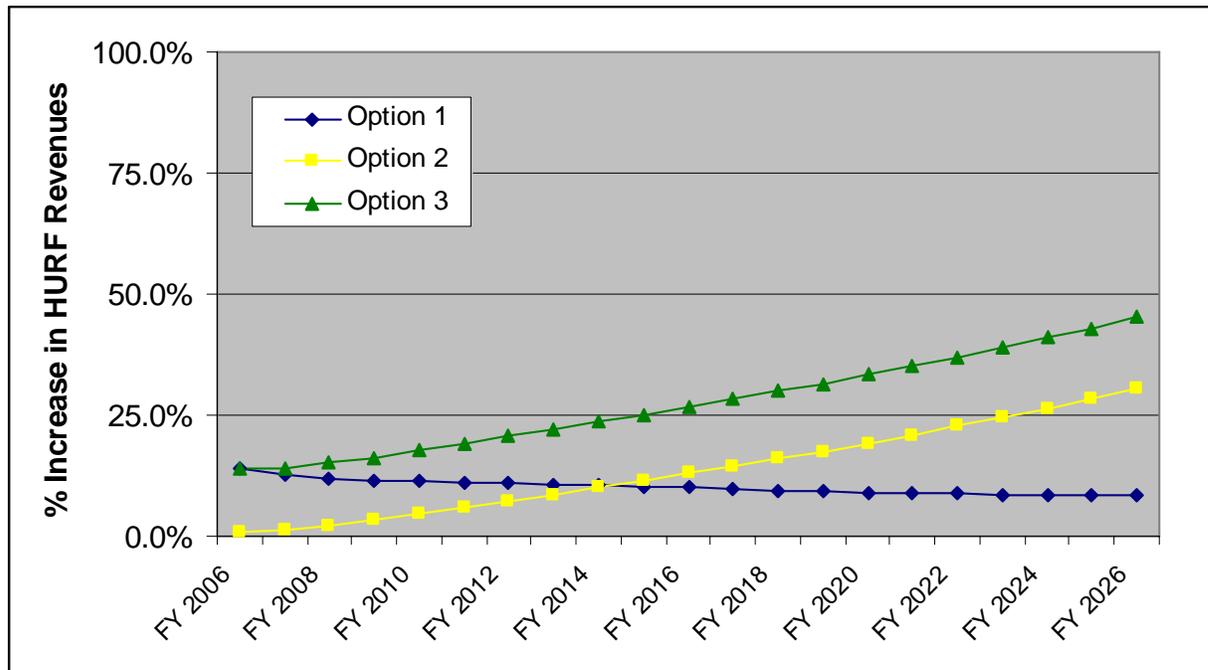
Figure 8-3 Gasoline Tax Rates, 1990 to 2010



Sources: Deflated and replacement taxes are derived from data on inflation from the Federal Reserve Bank of Minneapolis, at <http://www.minneapolisfed.org/research/data/us/calc/hist1913.cfm>

Figure 8-4 summarizes the data from Attachment 7, “Projected Increases in HURF Revenue from Three Options for Raising Fuel Taxes.” Because Options 2 and 3 index the fuel tax rates, they would tend to produce larger increases in HURF revenue each year (due to compounding). Option 1, on the other hand, relies upon a one-time increase, but its impacts will decline over time. Over the 20 years between FY 2006 and 2026, the average HURF increases under Option 1 would be approximately 10%, under Option 2, 16%, and under Option 3, 30%. It is reasonable to assume that each jurisdiction in the study area would receive at least equivalent increases in its HURF receipts, assuming no changes in their status under statutory distribution formulas. The increases would be “at least” equivalent because the jurisdictions, with the possible exception of Glendale, are expected to experience population increases that exceed the statewide growth rate.

Figure 8-4 Increases in HURF Revenue, FY 2006–2026



Sources: ADOT, “Arizona Highway User Revenue Fund, Forecasting Process and Results 2007-2016” and CLA estimates

Local Options for Levying And Indexing Fuel Taxes

Another approach to raising additional revenue would be for state statutes to provide jurisdictions with a local option to charge fuel taxes, as well as to allow indexing of local option fuel taxes to inflation. There are examples from around the country of local option gasoline taxes (Alabama, California, New York and Oregon-see Attachment 5).

State statutes could structure a local option fuel tax with (a) a countywide gasoline tax with distributions between the county and incorporated jurisdictions, or (b) county and city-by-city options.

ADOT reported the sale of 1,592,469,000 gallons of gasoline and 160,777,000 gallons of diesel fuel in Maricopa County in FY 2006.³⁰ A 10-cents-per-gallon Maricopa County tax in that year would have generated \$175,325,000 in additional transportation revenue. In FY 2006, Maricopa County and its 25 incorporated jurisdictions received \$348.4 million in HURF revenue.³¹ Revenues from a Maricopa County option fuel tax of \$175.3 million would represent a 50% increase in transportation revenue over the FY 2006 total HURF receipts (Table 8.12).

**Table 8.12 Potential Revenue -
“Local Option” Fuel Tax, FY 2006**

Fuel Type	Total Gallons Sold	Revenue at 10 Cents/Gallon
Gasoline	1,592,469,000	\$159,247,000
Diesel	160,777,000	\$16,078,000
Total	1,753,246,000	\$175,325,000

Source: Curtis Lueck & Associates, 2007

Levying Statewide Sales Tax on Fuel Sales

A.R.S. §42-5061(A)(22) excludes motor fuel and use fuel sales from the state’s transaction privilege (sales) tax.³² Eleven states, however, do include motor fuel sales and use fuels sales in their transaction privilege taxes, in addition to collecting regular motor fuel and use fuel taxes. Those states are California, Connecticut, Georgia, Hawaii, Illinois, Indiana, Iowa, Michigan, New Jersey, New York and Virginia (see Attachment 5).

Table 8.13 presents a calculation of potential revenue that a sales tax on fuel sales could generate. The analysis makes the following assumptions:

- “Gallorage” sold for FY 2006 is derived from ADOT reports.
- Fuel prices are statewide averages for February 9, 2007, as reported by the American Automobile Association (AAA). This one-day average is assumed to be a yearly average for FY 2006. In fact, fuel prices are volatile. For example, AAA reported the February 10, 2007 cost for regular gasoline in “Phoenix Proper” at \$2.237 per gallon, and diesel at \$2.773 per gallon. One month before, the same fuel had cost \$2.363 per gallon and \$2.805 per gallon; one year before, these prices had been \$2.388 per gallon and \$2.699 per gallon.³³
- Quoted fuel prices include state and federal taxes, which are eliminated from the calculation of sales taxes, on the assumption that these sales taxes would be charged only against fuel prices representing crude oil, refining and distribution/marketing costs. Nationwide, combined federal and state taxes on gasoline average 19% of the cost per gallon and 20% for diesel fuel.³⁴ In Arizona, the respective percentages are 16% and 20%.
- Arizona “use fuel” taxes are assumed to be 26 cents per gallon for all diesel fuel sold. In fact, fuel taxes on “light class motor vehicles” are 18 cents per gallon, distinguishing diesel fuel vehicles by weight.
- The revenue potential of a sales tax on fuel sales is estimated at 5%.
- The analysis assumes that all sales tax revenue from fuel sales would be used only for transportation purposes.

Based upon these assumptions, a sales tax of 5% levied against fuel sales in FY 2006 would have generated \$271.4 million from gasoline sales and \$98.4 million from diesel fuel sales, for a total revenue of \$369.8 million.

Table 8.13 Potential Revenue from a Statewide Sales Tax on Fuel Sales

Underlying Data	Gasoline	Use Fuel	Total
Total gasoline/diesel gallorage FY 2006	2,756,445,000	890,000,000	3,646,446,000
Arizona statewide fuel prices as of February 9, 2007	\$2.342	\$2.724	NA
Arizona statewide fuel prices per gallon as of February 1, 2007, minus taxes	\$1.969	\$2.211	NA
Total Sales	\$5,427,441,000	\$1,967,790,000	\$7,395,231,000
Sales Tax Revenue @ 5%	\$271,372,000	\$98,391,000	\$369,762,000

Sources: ADOT at http://www.azdot.gov/inside_adot/fms/gallon2.asp; American Automobile Association, "Daily Fuel Gauge Report" at <http://www.fuelgauge.com/sbsavg.asp>

Taxes include (a) Gasoline - State: 18 cents per gallon + 1 cent per gallon Underground Storage Tank (UST) tax and Federal: 18.3 cents per gallon; (b) Use Fuel - State: 26 cents per gallon + 1 cent per gallon UST tax and Federal: 24.3 cents per gallon

The impacts of a statewide sales tax on fuel sales, under these assumptions, would be as follows:

- Total HURF revenue in FY 2006 was \$1,331,625,000. A sales tax on fuel sales that generated \$369,762,000 in additional transportation revenue would represent a 28% increase over the current HURF revenue.
- A motorist who drove 20,000 miles in FY 2006 and obtained 25 miles per gallon would have paid an additional \$78.76 in sales taxes, the equivalent of an additional 10 cents per gallon (Table 8.14).

Table 8.14 Impact of Statewide Sales Tax

Hypothetical Sales Tax on Gasoline Impacts	
Annual miles	20,000.00
Gallons assuming 25 miles per gallon	800.00
Expenditures at \$1.969 per gallon	\$1575.00
Sales Taxes paid (5%)	\$78.76
State/federal fuel taxes (37.3 cents per gallon)	\$298.40
Total taxes paid	\$377.16
% increase in total taxes From sales tax	26%
Converting Sales Tax to Cents per Gallon	
Sales of 20 gallons (\$1.969/gallon)	\$39.38
Sales taxes paid (5%)	\$1.97
Cost per gallon	\$0.10

Source: Curtis Lueck & Associates, 2007

Local Options for Levying and Indexing Sales Taxes On Fuel Sales

Some states provide local options for levying sales taxes on fuel sales (for example, California, Hawaii, Illinois, and New York--see Attachment 5).

The revenue increase from a 5% Maricopa County sales tax on fuel would equal the revenue generated by a Maricopa County fuel tax of 10 cents per gallon: \$175 million in additional revenue in FY 2006. This is an increase of 50% over the combined HURF receipts for all jurisdictions in the county (Table 8.15).

Table 8.15 Potential Revenue from a Tax on Fuel Sales

Underlying Data	Gasoline	Use Fuel	Total
Total Gas/Diesel Gallonage FY 2006(1)	1,592,470,000	160,777,000	1,753,247,000
Arizona Statewide Fuel Prices as of February 9, 2007(2)	\$2.342	\$2.724	NA
Arizona Statewide Fuel Prices per gallon as of February 1, 2007 minus taxes(3)	\$1.969	\$2.211	NA
Total Sales	\$3,135,573,000	\$355,478,000	\$3,491,051,000
Sales Tax Revenue @ 5%	\$156,779,000	\$17,774,000	\$174,553,000

(1) Source: ADOT at http://www.azdot.gov/inside_adot/fms/gallon2.asp

(2) Source: American Automobile Association, "Daily Fuel Gauge Report" at <http://www.fuelgaugereport.com/sbsavg.asp>

(3) Taxes include (a) Gasoline - State: 18 cents per gallon + 1 cent per gallon Underground Storage Tank (UST) tax and Federal: 18.3 cents per gallon; (b) Use Fuel - State: 26 cents per gallon + 1 cent per gallon UST tax and Federal: 24.3 cents per gallon

Local Option for Vehicle License Taxes and Registration Fees

Amending state statutes to permit a local option to assess registration fees, vehicle license taxes, or both, is another alternative for generating additional transportation revenue. According to the ADOT Motor Vehicle Division, there were approximately 3.72 million vehicles registered in Maricopa County on January 31, 2007 (Table 8.16).

Table 8.16 Maricopa County Vehicle Registration, January 31, 2007

Vehicle Type	Number of Registered Vehicles
Owner Pleasure	2,012,215
Rental Passenger	58,102
Commercial	269,893
Trailer, Non-Commercial, <6,000 lb. gross vehicle weight	228,186
Trailer Commercial	49,638
Motor Cycle Combined	104,313
Pick Up Non-Commercial	379,947
All Other Vehicles	615,281
Total Registered Vehicles	3,717,575

Source: ADOT, Motor Vehicles Division, at "<http://www.azdot.gov/mvd/statistics/documents/RegVehbyCountyFY2007.pdf>"

The state's vehicle license and registration fees are complex, and not all vehicles would be subject to the annual tax, complicating an estimate of the revenue potential of a Maricopa County registration tax based solely on vehicle registrations. The Motor Vehicles Division data shows that Maricopa County has 57% of all registered vehicles in the state. Statewide vehicle registration fees collected in FY 2006 were \$158.8 million,³⁵ suggesting that a similar fee assessed only in Maricopa County would have generated 57% of that amount, or \$90.5 million, a 26% increase over total HURF revenue for Maricopa County jurisdictions (\$348.4 million) in FY 2006.

Statewide VLT receipts in FY 2006 were \$831,951,000, with 45% or \$374.4 million distributed to HURF.³⁶ Assuming that 57% of VLT receipts are generated in Maricopa County, the county probably accounted for roughly \$474,212,000 in VLT revenue. If Maricopa County had set a Vehicle License Tax in FY 2006 to generate the proportionate amount of statewide VLT distributed to HURF (45%), revenue would have been \$213,395,000.

If a Maricopa County VLT tax had been set at one-half of the statewide rate, additional transportation revenue might have been \$106,698,000, a 31% increase over total HURF revenue for Maricopa County jurisdictions (\$348.4 million) in FY 2006. Both of these scenarios assume that a countywide vehicle registration fee or VLT tax would be collected and then distributed to the county and all incorporated jurisdictions, generally in proportion to population.

General Sales Taxes

Another funding option is to impose sales taxes specifically for transportation purposes on all taxable purchases, as the current voter-approved transportation sales taxes in Maricopa County and Pima County allow. New transportation sales taxes could be levied and collected statewide, or as a second (and additional) transportation sales tax for Maricopa County.

Increase in Statewide Sales Tax Dedicated To Transportation

California has a statewide sales tax of 7.75%, of which approximately 3.3% (i.e., a 0.25% sales tax rate) is devoted to transportation, with revenue distributed to each county and then to incorporated jurisdictions within each county.

According to the Arizona Department of Revenue, the gross FY 2006 state sales tax revenue was \$6,098,268,000, generated by 5.6 cents per dollar.³⁷ The 0.6% education tax approved generated \$628,471,000 of this revenue. Therefore, an additional statewide sales tax of 0.6% for transportation would generate approximately \$628.4 million in revenue. This amount would have represented a 47% increase over total HURF revenue for FY 2006. An increment in the statewide sales tax of 0.3% for transportation would have generated an additional \$314.4 million, an increase over total HURF revenue for the year of approximately 24%.

Authorize Maricopa County Board of Supervisors to Add Another Half-Cent Transportation Excise (Sales) Tax

Some state statutes permit Arizona counties to levy and collect sales taxes. Each of these statutes, however, has population limits that exclude Maricopa County. For example, A.R.S. §42-6103 enables a county with a population of fewer than 1.5 million people, upon a unanimous vote of the Board of Supervisors, to levy a sales tax of up to one half-cent.³⁸ The legislature could amend this section to eliminate the population limits or write a new section under Title 42 (Taxation), Chapter 6, Article 3 (County Excise Taxes) to enable counties with a population of 2.0 million people or more, for example, to levy a county sales tax for transportation. Such legislation could be written to allow expenditure of these revenues for all transportation purposes or only for specific purposes. These revenues could also be allocated among local jurisdictions in accordance with current distribution formulas or on other bases that the jurisdictions might determine to be most appropriate. The Maricopa County transportation sales tax extended by the voters in 2004 will generate an estimated \$3.8 billion over 20 years. If new statutory authority permitted the county to levy an additional one-fourth cent sales tax, additional twenty-year revenue would be approximately \$1.9 billion. If the limit were set at one-eighth cent, the twenty-year revenue would be \$950 million.

Property-Related Fees or Taxes

A third funding option is to levy fees or taxes on property for transportation purposes, in the form of development impact fees or a property tax levy for county roads.

Development Impact Fees

The Hassayampa Valley will experience tremendous growth over the next 20 to 30 years. Buckeye and Surprise are expected to become the third and fourth largest cities in Arizona. Buckeye alone anticipates a population equaling or exceeding that of Phoenix today.³⁹ Having impact fees in place before this residential and commercial development occurs would help to pay for new capacity required by the transportation demands that growth will place on the system.

While most of the I-10/Hassayampa Valley study area is located in the Municipal Planning Areas (MPA) of Buckeye, Glendale, Goodyear, and Surprise, much of the area within which future growth will occur is currently in unincorporated Maricopa County. The four incorporated jurisdictions have adopted development impact fees. Maricopa County, while it is permitted by A.R.S. §11-1102, to impose such fees, currently has no impact fee program. Furthermore, growth will place significant pressure on I-10 and other state routes, but the state of Arizona lacks statutory authority to impose impact fees.

The five local jurisdictions and ADOT all have a stake in meeting the future transportation demands in the study area. To meet this demand more effectively, the following steps could be taken:

- Maricopa County could approve a development impact fee program to help fund transportation infrastructure;
- The five local jurisdictions and ADOT could develop a regional impact fee program; and,
- ADOT could recommend proposing a state roadway impact fee to the legislature.

Maricopa County Development Impact Fees

A review of the research literature on impact fees suggests that communities with successful development impact fee programs typically have a large population base, are experiencing moderate to rapid growth, are already facing infrastructure financing constraints, and have a large capital investment to maintain.⁴⁰ These characteristics generally describe unincorporated Maricopa County and the study area, although large tracts of the Hassayampa Valley are currently rural and hence have limited capital investment.

Maricopa County is permitted by A.R.S. §11-1102 to impose development impact fees.⁴¹ Three Arizona counties currently impose such fees for transportation: Pima, Pinal, and Yavapai. Pinal County has the most recent program, which was adopted in October 2006 and became effective in January 2007. Pima County's program dates to 1996, but the county has recently amended its program to raise fees, upgrade its coverage of non-residential fees, and subject fees to annual adjustments for inflation. Yavapai County approved its impact fee program in 1998, but the Board of Supervisors has issued a "Notice of Intent to Adopt a New Roadway Development Fee," which will include new fees and the elimination of two benefit areas in favor of a single countywide fee. All three of these counties contain high-growth areas, including unincorporated areas in Yavapai County near Prescott; in Pima County outside Tucson; and in several areas of Pinal County.

There are similarities and differences between the three county development impact fee programs, of which some of the most important are:

- All three programs originally divided their counties into benefit areas, although Yavapai intends to consolidate its areas into a single countywide fee. Pima County has ten benefit areas and Pinal County has seven.
- Both Pima and Yavapai impose impacts fees only for transportation. Pinal County impact fees cover streets as well as parks (fee on residential development only) and public safety.
- Pima County and Pinal County impose impact fees on both residential and non-residential development; Yavapai County does not.
- Pima County automatically adjusts its fees to inflation, as measured by the *Engineering News Record* construction cost index. Pinal and Yavapai adjust fees only through legislative action of their respective boards of supervisors.

Precisely estimating the revenue potential of a countywide roadway development impact program or fee is difficult in the absence of specific knowledge of (a) the future growth that will be subject to a county fee and (b) the level of the fees set. Table 8.17 presents a range of estimates, based on new housing unit projections from MAG's July 2003 socioeconomic data.⁴² The analysis assumes that between 2005 and 2030, 435,000 new housing units will be built in what is currently unincorporated Maricopa County. The analysis then examines the revenue potential of 12 scenarios based on the "percentage of growth in unincorporated areas prior to annexation" (the growth that would pay a Maricopa County impact fee) and the level of the fee.⁴³

Table 8.17 Revenue Potential of a Countywide Impact Fee

% Growth in Unincorporated Areas Prior to Annexation	New Housing Units	Fee per Housing Unit		
		\$3,000	\$ 5,000	\$10,000
100%	435,000	\$1,305,000,000	\$2,175,000,000	\$4,350,000,000
75%	326,250	\$978,750,000	\$1,631,250,000	\$3,262,500,000
50%	217,500	\$652,500,000	\$1,087,500,000	\$2,175,000,000
25%	108,750	\$326,250,000	\$543,750,000	\$1,087,500,000

Source: Curtis Lueck & Associates, 2007

Under these scenarios, a Maricopa County impact fee program could generate by 2030 anywhere from \$326 million (assuming 25% growth in unincorporated areas prior to annexation, and fees of \$3,000 per unit) to \$4.4 billion (assuming 100% growth in unincorporated areas prior to annexation and fees of \$10,000 per unit).

I-10/Hassayampa Valley Regional Impact Fee Program

The five local jurisdictions share an interest in growth and transportation funding in the study area, regardless of which jurisdiction approves the growth or collects the impact fees. In particular, the jurisdictions share a common interest in optimizing the revenue potential of development impact fees.

The jurisdictions could consider “regionalizing” impact fees in the area, assuming, of course, that Maricopa County approves impact fees. The county (A.R.S. §11-1102) and the four municipalities (A.R.S. §9-463.05) have the authority to impose impact fees, delineate benefit areas, and approve benefit area transportation plans.

- Possessing similar authority, the jurisdictions can enter into intergovernmental agreements to mutually exercise shared authority.
- A.R.S. §11-1103 states that counties “may enter into an intergovernmental agreement to accept or disburse development fees for construction of a public facility pursuant to a benefit area plan, including an agreement with a city or special taxing district for the joint establishment of a needs assessment, the adoption of a benefit area plan and the imposition, collection and disbursement of development fees to implement a joint plan for development.”

The five local jurisdictions, therefore, could:

- Establish a regional benefit area or benefit areas that extend across jurisdictional lines;
- Develop and approve transportation plans for the benefit area(s) that identify “roads of regional significance,”⁴⁴ or other roadway functional classifications to be funded with regional impact fees; and,
- Set common impact fees for specific types of residential and non-residential development within the benefit areas.

A regional impact fee program for the Hassayampa Valley study area would ensure that development is treated consistently throughout the area; provide developers with certainty about impact fees; reduce the ability of developers to play one jurisdiction (city or county) against another in an attempt to avoid fees; and raise some of the revenue necessary to provide the level of transportation capacity that future development will necessitate.

State Impact Fees for Transportation

The study area is defined, in large part, by I-10 as the principal east-west transportation corridor serving existing and future development. Other existing state routes (US-60, SR-74 and SR-85) and future state routes (e.g., SR-801) will also carry large volumes of traffic generated by this development. A conservative reading of the development impact fee statutes for counties and municipalities argues that local impact fees cannot fund capacity improvements on state routes. This restriction is undesirable because the growth approved by local jurisdictions will have some of its largest impacts on I-10 and other state highways.

Assuming that this conservative reading of the statutes is correct, and assuming as well that the idea that “growth should pay its fair share” ought to extend to state facilities, an argument can be made in favor of legislation authorizing “state impact fees.”

The idea of a state impact fee has precedents. For example, Title 29, Chapter 91, Subchapter II of Delaware state statutes provides for “Development of State Impact Fees.”⁴⁵ §9121(3) declares the intent of the section to “establish standards for the determination of impact fees for state facilities and services.” §9122(9) defines “state public facilities,” including §9122(9)(a) “roads, streets and bridges, including rights of way, traffic signals, landscaping and any local components of state or federal highways.”

Three bills have been introduced into the Virginia Legislature authorizing the Commonwealth Transportation Board to “assess and impose reasonable impact fees to be collected by the Virginia Department of Transportation.”⁴⁶

- HB 1666 would authorize a statewide impact fee on “new development or new subdivisions that are situated on an access road which has become, or which is to become” part of the primary system of state highways.

- HB 1667 and 1668 are competing bills that would authorize state impact fees “on new development or new subdivisions that abut, are adjacent to, or are alongside U.S. Route 50 in Loudon County between U.S. 15 and the Fairfax County line.”

These bills suggest two potential approaches to state impact fees in Arizona. One approach would be to impose impact fees statewide, wherever development affects state facilities. The alternative approach would authorize targeted state transportation impact fees. Legislation could authorize a specific area (i.e., a benefit area), for example the “Hassayampa Valley.” Conversely, the legislation could authorize “site specific” state transportation impact fees and develop procedures for the State Transportation Board and ADOT to follow in developing such fees.

The LeRoy Collins Institute, located in Tallahassee and affiliated with the state university system of Florida, issued a report in October 2005 entitled “Tough Choices: Shaping Florida’s Future.”⁴⁷ While the report did not recommend state transportation impact fees, it opened the door to a discussion of state impact fees for other purposes, recommending “impact fees, perhaps a combination of state and local, dedicated to pre-K-12 school construction.”

Closer to home, the *Business Journal* of Phoenix of January 12, 2007 carried an article entitled “New state impact fees considered.”⁴⁸ The article suggests that a coalition of “environmentalists and lawmakers worried about suburban sprawl” might push for state impact fees to “help pay for transportation projects, land conservation and deal with growth.”

Tax Levies for County Roads (§A.R.S. 28-6712)

A.R.S. §28-6712 enables a board of supervisors to levy property taxes for transportation purposes. A.R.S. §28-6712(A) states that: “For road purposes the board of supervisors may levy a real and personal property tax of not more than twenty-five cents per one hundred dollars of property in the county as valued for tax purposes.” A.R.S. §28-6712(B) specifies that the “monies shall be paid into the county treasury for the benefit of highways in the county.”

A.R.S. §28-6712(C) provides that “in counties with an assessed valuation of two hundred million dollars or more, an amount of not more than twenty-five cents per one hundred dollars of assessed valuation may be budgeted, levied, collected and spent for road purposes independently of and in addition to any other amounts lawfully available for road purposes. This levy is in lieu of the levy permitted under subsection A.”

If Maricopa County had levied this tax in FY 2007, the levy would have generated \$84.5 million (Table 8.18).

**Table 8.18 FY 2007 Revenue from
A.R.S. §28-6712 Property Tax**

2006 Assessed Valuation	\$33,807,465,000
\$100 of Assessed Valuation	\$338,075,000
Property tax levy at \$1.1794/\$100	\$398,726,000
Revenue per cent of levy (118 cents)	\$3,379,000
Revenue at \$0.25/\$100 - 25 cents x revenue per penny	\$84,476,000

Source: Maricopa County Tax Levies FY 2006-07 at
<http://www.maricopa.gov/finance/taxlevy.asp>

Road-Use Based Strategies

VTPI maintains an “Online TDM Encyclopedia” of issues related to transportation and transportation demand management (TDM).⁴⁹ One of the entries is entitled “Road Pricing, Congestion Pricing, Value Pricing, Toll Roads, and HOT Lanes,” which discusses various market-based funding strategies.⁵⁰

VTPI defines road pricing as a funding strategy in which “motorists pay directly for driving on a particular roadway or in a particular area.” Value pricing is described as “a marketing term which emphasizes that road pricing can directly benefit motorists through reduced congestion or improved roadways.” VTPI further argues that “Economists have long advocated Road Pricing as an efficient and equitable way to pay roadway costs, fund transportation programs, and encourage more efficient transportation. Road Pricing has two general objectives: revenue generation and congestion management.”⁵¹ VTPI identifies and discusses several road pricing options, including distance-based charges; road tolls; congestion pricing/cordon (area) tolls, and high occupancy/toll (HOT) lanes.

Following are brief discussions of each of these options. These options are long-term alternatives to current funding and reasonably available funding sources. Some options, such as distance-based charges, are typically discussed as alternatives to fuel-based charges. Toll roads, congestion pricing, and HOT lanes can be used in tandem with other charges and in combination with one another. Some alternatives rely more than others on new technologies, such as global positioning satellites.

Given the lack of detailed planning for any of these alternatives in Arizona, this analysis does not attempt to estimate their revenue potential.

Distance-Based Charges

Distance-based charges would replace the current fuel-based (consumption) taxes with charges based on vehicle miles of travel. Distance-based charges are usually proposed, at least in the United States, to counter the eroding revenue capacity of fuel-based charges due to improvements in fuel efficiency. With fuel taxes tied to gallons purchased, more fuel-efficient vehicles pay less than others to use the same roadway capacity. (If, however, fuel conservation is considered a worthy social objective, this may be viewed as an advantage of the current system.)

A number of countries around the world are actively investigating distance-based charges. In the United States, Oregon has taken the lead in experimenting with a distance-based charge for vehicle use of its roads. FHWA has issued requests for public comments on a “National Evaluation of a Mileage-Based Road User Charge,” as required by §1919 of SAFETEA-LU.⁵²

Some basic procedural questions need to be addressed. How would payment of distance charges be imposed on tourists, daily visitors, interstate commerce, and drivers who travel through the state without pause? Oregon has experimented with technologies inside the vehicle that communicate with the gasoline pump that the vehicle is participating in the distance-based demonstration. In the exchange, the fuel charges are deducted and the distance-based charges levied. This system collects the fees as part of the fuel purchase, but it works only if the vehicle has the appropriate specialized technology. There is also a need to distinguish between miles driven on state roads and miles driven outside the state.

A vehicle might refuel in New Mexico and drive straight through to California before gassing up again, thereby avoiding any payment for use of Arizona roads. (Of course, these drivers are not paying for their trip through the state under the current system.) A GPS could identify travel on Arizona roads, but it is unclear how the state could compel payment of charges by non-residents. Similarly, residents who refuel in Arizona, drive to San Diego for a holiday, and refuel upon arrival back in the state do not want to pay Arizona for their California driving.

Setting an appropriate cost per mile poses another policy question. Would the intent be to use a mileage-based charge to replace revenue currently raised by fuel taxes; to replace revenue raised by all HURF sources; or to generate revenue more nearly sufficient for total roadway needs?

Table 8.19 estimates the “cents per mile” that would have been necessary to replace (a) total HURF revenue and (b) gasoline and use fuel revenue (only) for each year from FY 1990 to 2004.⁵³ The data shows that “cents per mile” to replace these revenues would have varied each year, usually increasing from year to year, but occasionally declining.

Replacing total HURF revenue in FY 1990 would have required a distance-based fee of 1.87 cents per mile. Replacement of fuel tax revenue only would have cost 0.96 cents per mile. In FY 2004, these fees would have been 2.06 cents per mile and 1.12 cents per mile.

Table 8.19 also shows the volatility in the relationship between potential VMT and actual HURF revenues from FY 1990 through 2004. This data suggests that a mileage-based charge will not be easy to set properly. Policymakers will need to define clearly and precisely how much revenue they want the fee to raise. It seems that the fee cannot be set once and then left to run its course. If VMT grows more slowly than inflation, an unchanging charge per mile will generate a revenue stream whose purchasing power will gradually erode, just as revenue from fuel taxes is currently eroding. Under these circumstances, policymakers would still face the question of whether to index a mileage-based fee to inflation.

Table 8.19 Cents per Mile Needed to Replace HURF Revenue

Year	Total HURF Revenue	Total Gasoline and Use Fuel Revenue (Only)	ADOT Reported Total VMT	(Total HURF) Cents/Mile Replacement	(Fuel Only) Cents/Mile Replacement
1990	\$664,057,000	\$339,116,000	\$35,455,735,000	1.87	0.96
1991	\$679,821,000	\$362,018,000	34,926,850,000	1.95	1.04
1992	\$675,195,000	\$369,789,000	34,952,400,000	1.93	1.06
1993	\$717,443,000	\$387,235,000	37,653,765,000	1.91	1.03
1994	\$776,063,000	\$422,556,000	38,775,775,000	2.00	1.09
1995	\$800,152,000	\$451,090,000	39,652,505,000	2.02	1.14
1996	\$859,575,000	\$473,741,000	42,010,770,000	2.05	1.13
1997	\$896,962,000	\$488,701,000	43,490,845,000	2.06	1.12
1998	\$887,487,000	\$508,544,000	44,989,535,000	1.97	1.13
1999	\$982,779,000	\$557,775,000	46,829,135,000	2.10	1.19
2000	\$1,019,599,000	\$565,736,000	49,035,925,000	2.08	1.15
2001	\$1,030,965,000	\$574,259,000	49,653,505,000	2.08	1.16
2002	\$1,076,395,000	\$596,325,000	52,013,595,000	2.07	1.15
2003*	\$1,114,906,000	\$623,020,000	53,486,214,000	2.09	1.17
2004	\$1,179,561,000	\$642,533,000	\$57,260,470,000	2.06	1.12

*VMT data for 2003 is not available, so 2003 numbers were estimated by linear interpolation.

Source: Curtis Lueck & Associates, 2007

Toll Roads

Toll roads are receiving significant attention as an alternative method for funding roadway construction, operation and maintenance. Toll facilities can be publicly owned and operated, privately owned and operated, or a public-private partnership sharing development and operational responsibilities. This organizational flexibility allows a toll project to meet regional needs while complying with complex legislative and financial constraints associated with capital-intensive projects.

FHWA identifies some reasons for the current reconsideration of toll roads:⁵⁴

- One set of explanations stems from rapid growth in the purchase and use of motor vehicles; a scarcity of funding at all levels of government along with reluctance to raise taxes, leading to deferred maintenance and reconstruction; and the fact that “roads built in the peak years of new Interstate construction (roughly 1960-1980) were approaching the end of their design life and were wearing out.”
- A second set of explanations is technological--“the increasing ability of electronic equipment to identify vehicles and record and store large amounts of data: a technology that is transforming our way of thinking about toll collection.”
- A third explanation is economic--“With the possibility of privately financed toll roads, some large engineering and construction management firms believe that a highway market might exist that had not been explored by their firms.”

The FHWA report includes a “Fact Sheet” that reports on “Total Toll Road, Toll Bridge, Toll Tunnel Length in Operation as of January 1, 2005.” On that date, the United States had 9,815 miles of roadway that were tolled: 4,675 miles (47.6%) on the National Highway System, 3,000 miles (30.6%) on the Rural System, and 2,140 miles (21.8%) on the Urban System.

The FHWA report finds that “States which pass toll road legislation do not follow a fixed pattern,” but that “the following provisions in State toll road legislation are common”:

- Creation of an authority or commission
- Scope, purpose, and function of the entity
- Delineation of the district within which the entity operates
- Details about the entity’s governing board
- The legal powers of the entity
- The authority to issue bonds and use tolls
- Authority to set and revise tolls
- Ability to invest bond proceeds
- Constraints on the use of the revenue
- Rights and remedies of bondholders
- Tax-exempt status of the entity’s property and bonds
- Police powers
- Operating, maintenance and repair obligations
- Relationship with other entities

Arizona Revised Statutes treat toll roads in two sections in Title 28: (a) Chapter 22 (§28-7701 to 7758), which enables “transportation project privatization,” and (b) under Chapter 19, County Roads, at Article 4 “Toll Roads, Ferries and Bridges” (§28-6801 to 6808). Neither of these sections specifically authorizes either the state or counties to construct and operate public toll roads, but they do create processes for implementing privatized toll facilities.

A.R.S. §28-7701 to 7758 relate exclusively to pilot projects with private entities for transportation facility operations and roadway construction projects. A.R.S. §28-7701 to 7706 (Article 1) permits ADOT to “request competing proposals by private entities” and to “enter into written agreements” with private entities for (a) construction of transportation facilities by the private entity and (b) lease of such projects to the private entity. A.R.S. §28-7701(C) mandates that agreements with private entities provide for state ownership of the constructed facility; lease to the private entity for a mutually agreed period of time; reversion of the facility to the state after expiration of the lease; reimbursement to the state of any costs incurred after execution of the agreement; authority for the private entity to impose and collect tolls; and uses of tolls, including “a reasonable rate of return on investment.”

According to A.R.S. §28-7702, a new toll route must (1) have a reasonable alternative route, (2) accommodate the same type of motor vehicles as the existing alternative facility, and (3) must be at least as direct as the existing alternative facility.

A.R.S. §28-7741 to 7758 (Article 2) permits private entities to apply to the state, and for the state to grant an entity authority, to “construct, operate or enlarge a roadway in this state.” Under these statutes, the applicant must be incorporated in Arizona and would not have the power of eminent domain. A.R.S. §28-7746 provides for local approvals of such projects. A.R.S. §28-7753 allows ADOT to deposit “all tolls in excess of a reasonable rate of return on investment” in HURF. Both articles provide that toll revenue is not subject to state sales taxes and allow users of a toll facility to apply for a refund for any fuel taxes or motor carrier taxes paid while using the facility.

The literature on toll roads does consider public/private partnerships as one practical structure and funding method for toll roads. A.R.S. Chapter 22 is a good first step in the creation of such partnerships. The same literature, however, provides many examples of successful state-operated toll facilities. A state toll road authority, which would require new legislation, is therefore another option worth exploring.

A.R.S. §28-6801 – 6808 also permits a private entity to apply to a county for the right to operate a toll road, ferry or bridge. A.R.S. §28-6801 defines a toll road as including “trails for the passage of saddle and pack animals and foot passengers, as well as roads designed for the passage of vehicles, if the trails have been built in mountainous or precipitous places or in other places where the building of roads for the passage of vehicles would be impractical.” These laws on county toll roads were written for a much earlier time in the state’s history and have no relevance to today’s transportation systems or needs.

Congestion Pricing

FHWA identifies four main types of [congestion] pricing strategies:

- **Variably priced lanes**, involving variable tolls on separated lanes within a highway, such as express toll lanes or HOT lanes
- **Variable tolls on entire roadways** – both on toll roads and bridges, as well as on existing toll-free facilities during rush hours
- **Cordon charges** – either variable or fixed charges to drive within or into a congested area within a city
- **Area-wide charges** – per-mile charges on all roads within an area that may vary by level of congestion.”⁵⁵

Congestion pricing is rooted in basic economic theory: “charge a price in order to allocate a scarce resource to its most valuable use, as evidenced by users’ willingness to pay for the resource.”⁵⁶ According to the testimony of Douglas Holtz-Eakin, then director of the Congressional Budget Office (CBO), “Introducing congestion pricing on a crowded roadway... has two economic effects. First, it dampens demand for the highway during the most congested periods by inducing some motorists to alter their travel plans. Second, continued demand in the face of appropriate congestion pricing serves as a signal for additional investment in road capacity.”⁵⁷

In testimony to the congressional Joint Economic Committee in May 2003, the Director for Physical Infrastructure Issues of the U.S. Government Accountability Office (GAO) reported that a GAO study on congestion pricing found that:

“Evidence from projects (on congestion pricing) both here and abroad shows that this approach can reduce congestion. Such projects have also shown they can generate sufficient revenues to fund operation – and sometimes fund other transportation improvements as well.”⁵⁸

The FHWA “Congestion Pricing: A Primer” notes that:

“Congestion pricing works by shifting purely discretionary rush hour highway travel to other transportation modes or to off-peak periods, taking advantage of the fact that the majority of rush-hour drivers on a typical urban highway are not commuters. By removing a fraction (even as small as 5%) of the vehicles from a congested roadway, pricing enables the system to flow more efficiently, allowing more cars to move through the same physical space.”⁵⁹

The GAO testimony provides some “evidence of increased economic efficiency” from congestion pricing. For example, HOT lane projects in Orange County and San Diego, California and in Houston, Texas show that “drivers willing to pay to use the HOT lane saved an average of 12-20 minutes per trip in the peak period.” Cordon toll projects in Singapore produced “an immediate 73% decline in the use of private cars, a 30% increase in carpools, and a doubling of buses’ share of work traffic.” Introduction of cordon charges in London “resulted in traffic decreases of roughly 20%, and about a 14% increase in the use of buses during the morning commute.”⁶⁰

Congestion pricing seems to reduce congestion and appears to be a promising avenue toward additional transportation revenue as well. The FHWA primer notes that “net revenues after payment of operating costs can be used to pay for expansion of roadway facilities,” (such as) “to support alternatives to driving alone such as public transit, to address impacts on low-income individuals by providing toll discounts or credits, or to reduce other taxes that motorists pay for highways such as fuel taxes, vehicle registration fees or sales taxes.”⁶¹ Such excess revenue could also be used to fund highway capacity improvements.

As is true with toll roads, technological advances will facilitate congestion pricing schemes. According to the CBO's Holtz-Eakins, "On all of the congestion-priced highways in the United States, tolls are collected electronically."⁶² Electronic billing avoids congestion at tollbooths and technology can allow systems to adjust congestion prices in "real time." On the other hand, electronic billing is not possible if vehicles lack the ability (transponders) to communicate with the system sensors.

Concerns have been raised that congestion pricing cannot be fair and equitable to lower income motorists. The three reports cited here acknowledge this concern, but conclude that it can be addressed. Mr. Holtz-Eakins reports that "preliminary evidence suggests that the new toll lanes in California are used by people of all income groups."⁶³ Equity and fairness are important values and would demand close examination with any congestion pricing program proposed for Arizona or the Hassayampa Valley. Privacy is also a concern for many.

8.2.2.2 Financing Options: General Obligation Bonding

Arizona counties, cities and towns do not typically use primary property taxes to fund transportation through their general funds, nor do they consistently use secondary property taxes to fund general obligation bond debt service for transportation purposes.

County General Obligation Bonds for Roadway Improvements

On the county level, only Pima County has invested heavily in general obligation bonding for roadway purposes, but this practice ceased in 1997 when voters approved a \$350 million HURF revenue bond authorization. Maricopa County and Cochise County have used general obligation bonding for transportation, but those authorizations date back to the 1980s.

As of June 30, 2005, Maricopa County has no outstanding general obligation bond debt and no outstanding general obligation bond authorization.⁶⁴ The county held its last general obligation bond election in 1986, "which included several functional categories but no transportation improvements."⁶⁵

Also on June 30, 2005, Maricopa County had a "constitutional general obligation bonding capacity" of \$4,510,048,001.⁶⁶ The Arizona constitution limits bond debt to 6% of the most recent secondary assessed valuation, but up to 15% of that valuation if voters authorize such debt. The county's 15% debt limit increased from \$2.1 billion in FY 1996 to \$4.5 billion in FY 2005. Over that ten-year period, the constitutional debt limit increased by 113.1%, or an average of 8.8% annually.

Table 8.20 shows projections for growth in the county's legal debt limit through FY 2016, assuming no new debt is incurred in the interim. There are two scenarios, assuming (A) growth in the debt limit of 8.8%--the average annual growth between FY 1996 and 2005--and (B) a more conservative scenario with annual growth of 5%.

Table 8.20 Maricopa County Legal Debt Limit Through FY 2016

Fiscal Year	Assume 10.1% Annual Growth (Scenario A)	Assume 5.0% Annual Growth (Scenario B)
FY 2005	\$4,510,048,000	\$4,510,048,000
FY 2006	\$4,906,932,000	\$4,735,550,000
FY 2007	\$5,338,742,000	\$4,972,328,000
FY 2008	\$5,808,552,000	\$5,220,944,000
FY 2009	\$6,319,704,000	\$5,481,992,000
FY 2010	\$6,875,838,000	\$5,756,091,000
FY 2011	\$7,480,912,000	\$6,043,896,000
FY 2012	\$8,139,232,000	\$6,346,090,000
FY 2013	\$8,855,484,000	\$6,663,395,000
FY 2014	\$9,634,767,000	\$6,996,565,000
FY 2015	\$10,482,627,000	\$7,346,393,000
FY 2016	\$11,405,098,000	\$7,713,713,000

Source: Curtis Lueck & Associates, 2007

The legal debt limit would climb to \$11.4 billion under scenario (A) and to \$7.7 billion under scenario (B). Under either scenario, Maricopa County has a very large legal general obligation bond capacity.

Arizona is ranked 35th in the nation in property taxes per capita⁶⁷, and Maricopa County has a low property tax rate compared to other counties in the state. For FY 2007, the total county rate was \$1.4348 per \$100 of assessed valuation, which included \$1.1794 for the Operating Levy, \$0.2047 for the Flood Control District and \$0.0507 for the County Library District. There was no levy for debt service.⁶⁸ As a comparison, Pima County's rate is \$5.34 and Pinal County's is \$4.45 per \$100 of assessed valuation.

Maricopa County enjoys a good debt rating. The most recent ratings are: Fitch – AA+; Moody's – Aa3; and Standard and Poor's – A+.

City/Town General Obligation Bonds for Roadway Improvements

Cities and towns can use general obligation bond debt to fund roadway improvements. Glendale and Goodyear have used voter-approved general obligation bonds to fund such improvements. Jurisdictions also use general obligation bonds to fund other public improvements, however, resulting in competition for scarce bonding authorizations.

Table 8.21 reports the debt ceiling limits on Buckeye, Glendale, Goodyear, and Surprise, as of June 30, 2006. Both Glendale and Goodyear have obligated just over one-half of their constitutional debt limit--the second and third highest percentage of bond capacity utilization in the state, behind only Tempe at 60.3%. While these two cities have \$154.7 million and \$45.9 million in untapped borrowing authority, fiscal prudence may make them reluctant to incur any substantial new bond debt in the near future.

Buckeye and Surprise, on the other hand, have obligated very little of their current bonding capacity--only 1.8% and 2.0%. Buckeye, however, has only \$29.4 million in available capacity as of June 30, 2006. Surprise has much more unused capacity: \$152.5 million.

While the four cities and towns have a combined \$382.1 million in debt capacity, fiscal prudence may limit the amount of this capacity that they are willing to allocate to transportation purposes.

Table 8.21 Municipal Debt Limits as of June 30, 2006

City	Constitutional Debt Limit (A)	Outstanding Debt (B)	Current Legal Debt Limit (A-B)	% of Constitutional Debt Limit Used
Buckeye	\$29,983,000	\$553,000	\$29,430,000	1.8%
Glendale	\$330,088,000	\$175,350,000	\$154,738,000	53.1%
Goodyear	\$101,758,000	\$56,270,000	\$45,488,000	55.3%
Surprise	\$155,620,000	\$3,157,000	\$152,463,000	2.0%
Total	\$617,449,000	\$235,330,000	\$382,119,000	38.1%

Source: Arizona Department of Revenue, "FY 2005/06 Report of Indebtedness," December 2006
<http://www.azdor.gov/ResearchStats/bounding/FY06%20Report.pdf>

8.2.3 Conclusion

This chapter describes the current transportation funding sources within the study area, and examines myriad strategies to enhance revenues. Building the conceptual roadway network in the Hassayampa Valley study area will cost approximately \$22 billion in today's dollars. The roadway projects are not in the adopted MAG RTP and none of them are funded. The study identifies various transportation revenue sources in use today by study area jurisdictions, including the HURF (primarily the state gasoline tax), and the RARF, which comes from the voter-approved half-cent sales tax.

The HURF has been declining in real terms for almost 20 years, and the RARF expires in 2025. Accordingly, these major sources cannot be relied on for the proposed roadway framework. There is a need to identify and commit new funding sources in order to build it. Funding will also be needed for continuing operation and maintenance once construction is complete.

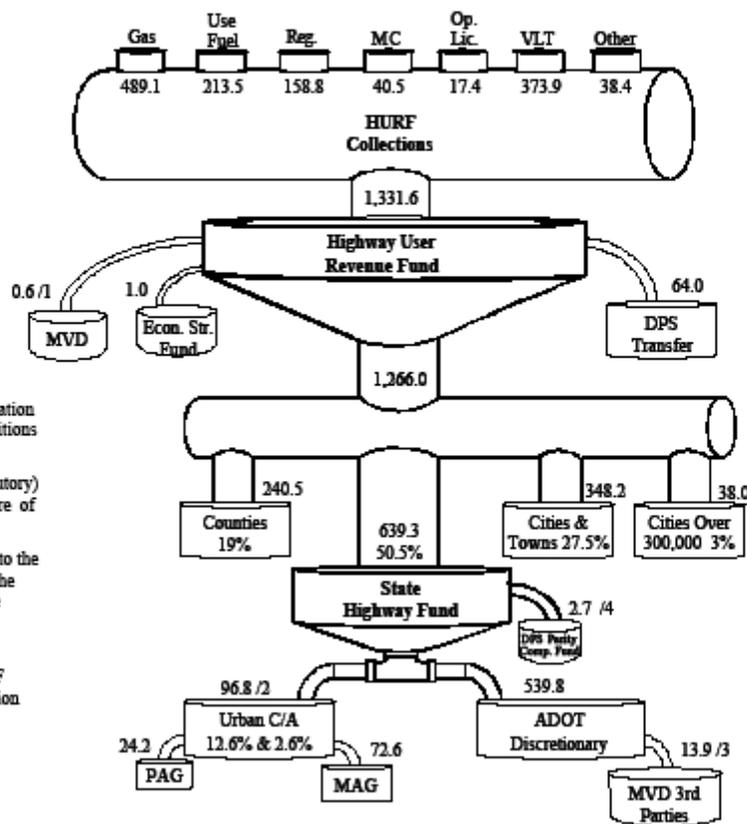
Potential revenue sources identified in this study include user fees, fuel tax increases, toll roads, special taxation districts, another extension of the RARF, and regional development impact fees, among many others. Some new sources require approval by the state legislature and others may require approval by local elected officials or voters. There are no easy solutions to this funding predicament, as the sources that generate the most revenue will likely be the most difficult to enact. However, this study begins to set a strategy for funding policy consensus-building.

Similar funding problems are evident throughout the state, so a broader initiative—perhaps even a coordinated statewide strategy—should be pursued over the coming years. Even though the conceptual network is a long-term vision, planners and decision-makers should begin to think now about how to overcome the funding shortfall.

ATTACHMENTS

Attachment 1: HURF Diagram

ARIZONA DEPARTMENT OF TRANSPORTATION FY 2006 HURF ACTUAL REVENUE DISTRIBUTION FLOW (Millions of Dollars)



NOTES:

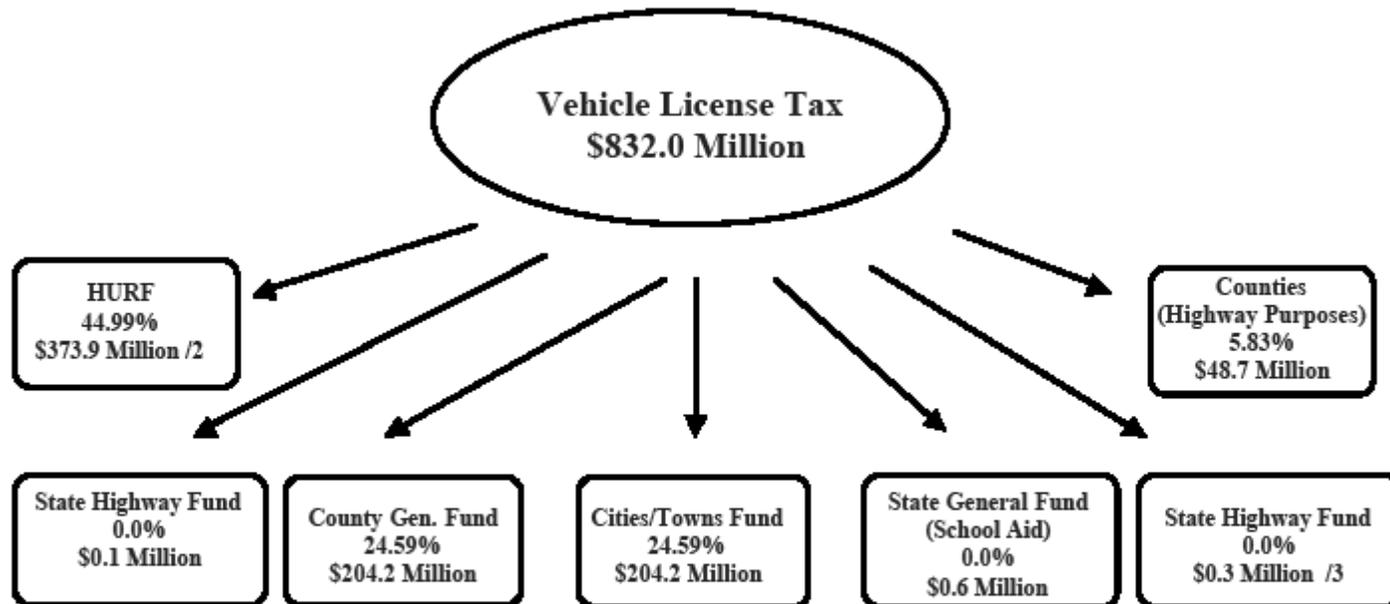
/1. Appropriation to MVD for vehicle registration enforcement program (\$383,300) and 5 FTE positions for 3rd Party program (\$250,000).

/2. The 12.6% (statutory) and 2.6% (non-statutory) allocations from the State Highway Fund share of HURF distributions.

/3. With the elimination of the VLT distribution to the state highway fund, a distribution is made from the state highway fund to MVD Third Parties for the collection of VLT.

/4. Per Laws 2005, Chapter 306 (SB 1119), 1.51 percent of the state highway fund share of HURF VLT is distributed to the DPS Parity Compensation Fund.

VEHICLE LICENSE TAX DISTRIBUTION FY 2006 ACTUAL /1

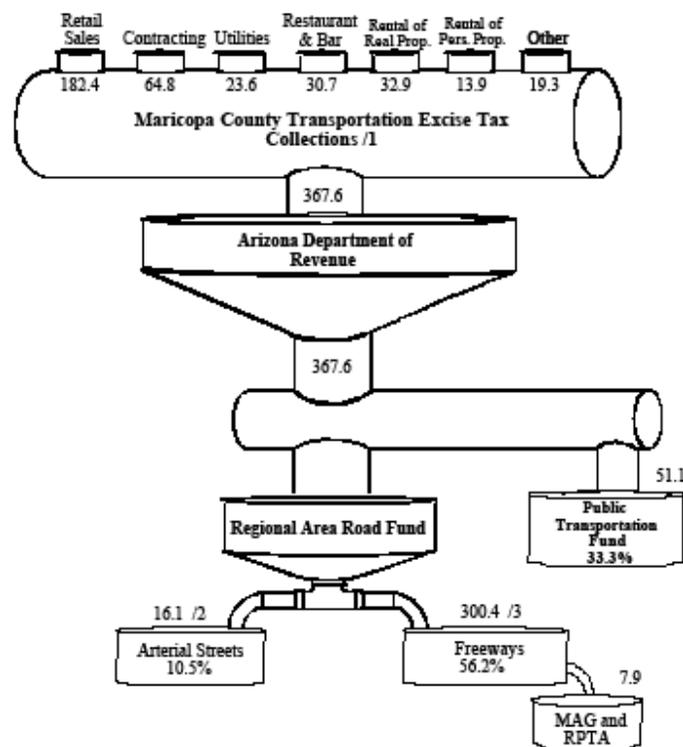


NOTES:

1. The distribution percentage for each recipient based on statutory distribution. The State General Fund and State Highway Fund receive a share of the VLT only from alternative fuel vehicles, rental vehicles and privately owned vehicles used as a school bus, ambulance or fire fighting service. The other VLT recipients also receive a small amount of VLT from these vehicles.
2. Laws 2005, Chapter 306 (SB 1119) distributed 1.51% share of State Highway Fund's share of HURF VLT to DPS Parity Compensation Fund totaling \$2.7 million in FY 2006.
3. \$13.6 million from the State Highway Fund and the \$0.3 million from the State Highway Fund share of VLT was paid to the MVD Third Parties per HB 2026 and HB 2055 from the 1998 and 2001 legislative sessions, respectively in FY 2006. The reimbursements were previously paid solely from the State Highway Fund share of VLT until it was severely reduced from the VLT rate reductions.

Attachment 3: RARF Diagram

**MARICOPA COUNTY TRANSPORTATION EXCISE TAX
FY 2006 ACTUAL REVENUE DISTRIBUTION FLOW
(Millions of Dollars)**



NOTES:

/1. Prop 300 expired on December 31, 2005 and Prop. 400 became effective on January 1, 2006. FY 2006 collections and distributions are a mix of both Prop. 300 and Prop. 400. Prop. 300 monies will continue over time due to adjustments, refunds and audits.

/2. Under Prop. 400, the Regional Area Road Fund (ADOT) receives the Freeways 56.2% and the Arterial Streets 10.5% revenues. MAG programs projects for the Arterial Streets 10.5% monies and then bills ADOT for the costs.

/3. A portion of the Freeways 56.2% monies are distributed equally to MAG and the Public Transportation Fund to be used for planning purposes.

Attachment 4: State by State Gasoline and Diesel Taxes

State	Gasoline (cpg)	Diesel (cpg)	Notes
Alabama	18	19	Includes 2 cpg inspection fee. Counties can levy up to 5 cpg with approval of the state legislature. Cities and counties can levy additional tax—rates range from .5 cents per gallon to 4 cents per gallon. An additional 1 cpg UST/AST Trust Fund Environmental Transport Fee is levied at the wholesale level to cover remediation costs.
Alaska	8	8	There is a .06 per gallon tax credit for gasohol used during a mandated control period in a CO non-attainment area. The motor fuel tax rate for marine use is 5 cents/gallon; aviation gasoline is 4.7 cents/gallon; and jet fuel is 3.2 cents/gallon.
Arizona	18	26	Plus 1 cpg UST tax. Use class vehicles pay an additional 9 cpg on diesel (with an exemption for vehicles under 26,000 gw).
Arkansas	21.5	22.5	Plus .2 cpg environmental assurance fee assessed at the wholesale level for underground storage tank fund.
California	18	18	Other taxes include a 6% state sales tax and 1.25% county, plus additional local sales taxes and 1.2 cents per gallon state UST fee.
Colorado	22	20.5	NA
Connecticut	25	26	Plus 5% gross earnings tax collected at wholesale.
Delaware	23	22	NA
Dist. of Columbia	20	20	NA
Florida	14.5	27.2	The statewide sales tax is 14.5 cents per gallon for gasoline and 27.2 cpg for diesel. The 14.5 cents represents 10.5 cpg sales tax plus 4 cpg sales tax. Gasoline tax rate increased .2 cpg on 1/1/05. Tax rate changes annually based on CPI. Does not include 2.2 cpg tax/fee for environmental inspection purposes (5 cents per barrel tax for the Water Quality Assurance Trust Fund, 80 cents per barrel for the Inland Protection Trust Fund, 2 cents per barrel for the Coastal Protection Trust Fund and 1/8 cents per gallon for weights and measures inspection fee). Gasoline rate also does not include additional minimum 9.9 to 17.8 cent per gallon local option tax portion with the weighted average of 14.6 cents per gallon. Therefore, depending on where you live in Florida, your overall gasoline tax can vary from an average of 52.9 cents per gallon to 45 cents per gallon.

State	Gas (cpg)	Diesel (cpg)	Notes
Georgia	7.5	7.5	Plus 4% sales tax.
Hawaii	16	16	Plus 4% sales tax and additional county taxes and 0.12-cpg environmental response tax.
Idaho	25	25	NA
Illinois	19	21.5	Plus 6.25% sales tax and .3 % tax for underground storage tank fund, and other local sales and gasoline taxes. Diesel fuel taxes are 27.5 cpg for commercial highway users.
Indiana	18	16	Plus 6% sales tax and 0.008 per gallon inspection fee. For diesel, there is an 11-cpg surcharge paid on a quarterly self-reporting basis. Gasoline tax increased 3 cpg effective 1/1/03 per 2002 legislation
Iowa	20	22.5	Plus 1 cpg UST fee. The gasoline tax for ethanol-blended gasoline is 19 cpg. Tax on gasoline is based on the amount of ethanol sold in the state. Ethanol sales review for 2004 will be complete 6/30/05 and the gasoline tax may be increased.
Kansas	24	26	Plus 1 cpg environmental fee. Gasoline tax increased 1 cents per gallon 7/1/03.
Kentucky	15	12	Variable based on 9% of the average wholesale price of gasoline with minimum price of \$1.11 or 10 cpg. In addition, there is a supplemental highway user tax of 5 cpg for gasoline and 2 cpg for special fuels plus a 1.4-cpg underground storage tank fee. Com
Louisiana	20	20	NA
Maine	25.2	26.3	Plus for gasoline: .07 cpg for Coastal and Inland Water fund, 1.38 cpg for Groundwater Fund and 40 cpg/10,000 gallons for Petroleum Market Share Act Plus for diesel: .07 cpg for Coastal and Inland Water Fund and .6 cpg
Maryland	23.5	24.25	NA
Massachusetts	23.5	23.5	Includes 2.5 cpg UST fund tax. UST tax increased from .5 cpg on 4/1/03.
Michigan	19	15	Plus 6% sales tax and 0.875 cpg for environmental regulation fee for refined petroleum fund.
Minnesota	20	20	Plus periodic 2 cpg UST cleanup fee at wholesale level which fluctuates depending on the fund balance. UST (Petro-fund) fee reinstated 11/1/04 and will run through February 2005.
Mississippi	18	18	Plus 0.4 cpg Environmental Protection Fee. In Hancock, Harrison and Jackson counties there is an additional 3 cpg Seawall tax.
Missouri	17	17	Governor signed legislation in 2002 that included removal of the 2008 expiration date of the 6-cpg temporary gasoline tax increase adopted by voters in 1992.

State	Gasoline (cpg)	Diesel (cpg)	Notes
Montana	27.75	28.5	Includes 0.75 cpg fee assessed at the pump to go toward the state cleanup fund.
Nebraska	25.4	25.4	Variable -- 12.5-cent base plus 12.9 cpg variable rate. Does not include 0.9 cpg release prevention fee for gasoline and 0.3 cpg release prevention fee for diesel and other fuels. Variable rate increased 0.6 cents per gallon for the period from 1/1/05 to 6/30/05.
Nevada	23	27	Plus up to 10 cpg county tax on gasoline, 0.75 cpg-cleanup fee, and .055 cpg inspection fee.
New Hampshire	18	18	Plus 0.1 cpg for oil pollution control fund, 1.5 cpg for UST cleanup fund, 1 cpg for AST and bulk storage fund. Also 2 cpg for fuel oil and bulk fuel oil storage.
New Jersey	14.5	17.5	Includes 10.5 cpg sales tax plus 4 cpg Petroleum Products Gross Receipts Tax.
New Mexico	17	18	Plus 1 cpg loading fee.
New York	31.9	28.9	Includes 8 cents per gallon sales tax, Petroleum Business Tax of 15.2 cents per gallon for gasoline and 13.45 cents per gallon for diesel (rate increased .6 cpg 1/1/05). Statewide volume weighted average sales tax increased 6/1/04 to 8.3 for per gallon for gasoline and 7.1 cents per gallon for diesel. Also a spill tax of 0.3 cent per gallon is collected on gasoline and diesel and a petroleum testing fee of 0.05 cent per gallon is levied on gasoline. Does not include an estimated 7.9 cents per gallon for gasoline and 6.7 cents per gallon for diesel from weighted county average sales taxes that range from 3.25% to 4.75%.
North Carolina	26.6	26.6	Plus 0.25 cpg inspection tax. Rate increased 2 cpg from 24.6 cents per gallon to 26.6 cents per gallon 1/1/05. It consists of a 17.5 cpg flat rate plus a variable rate of 9.1 cpg wholesale component based on 7% average wholesale price component based on prices from 4/1/04 to 9/30/04 (the average price for that period was 130.34 cents per gallon).
North Dakota	21	21	NA
Ohio	26	26	Per 2003 legislation, rate increases 6 cpg in 2-year increments. First increase took effect 6/30/03. 7/1/04 rate increased another 2 cents per gallon (to 26 cents per gallon). Surcharge of 3 cpg for commercial vehicles.
Oklahoma	16	13	Plus 1 cpg per gallon UST fee.
Oregon	24	24	NA

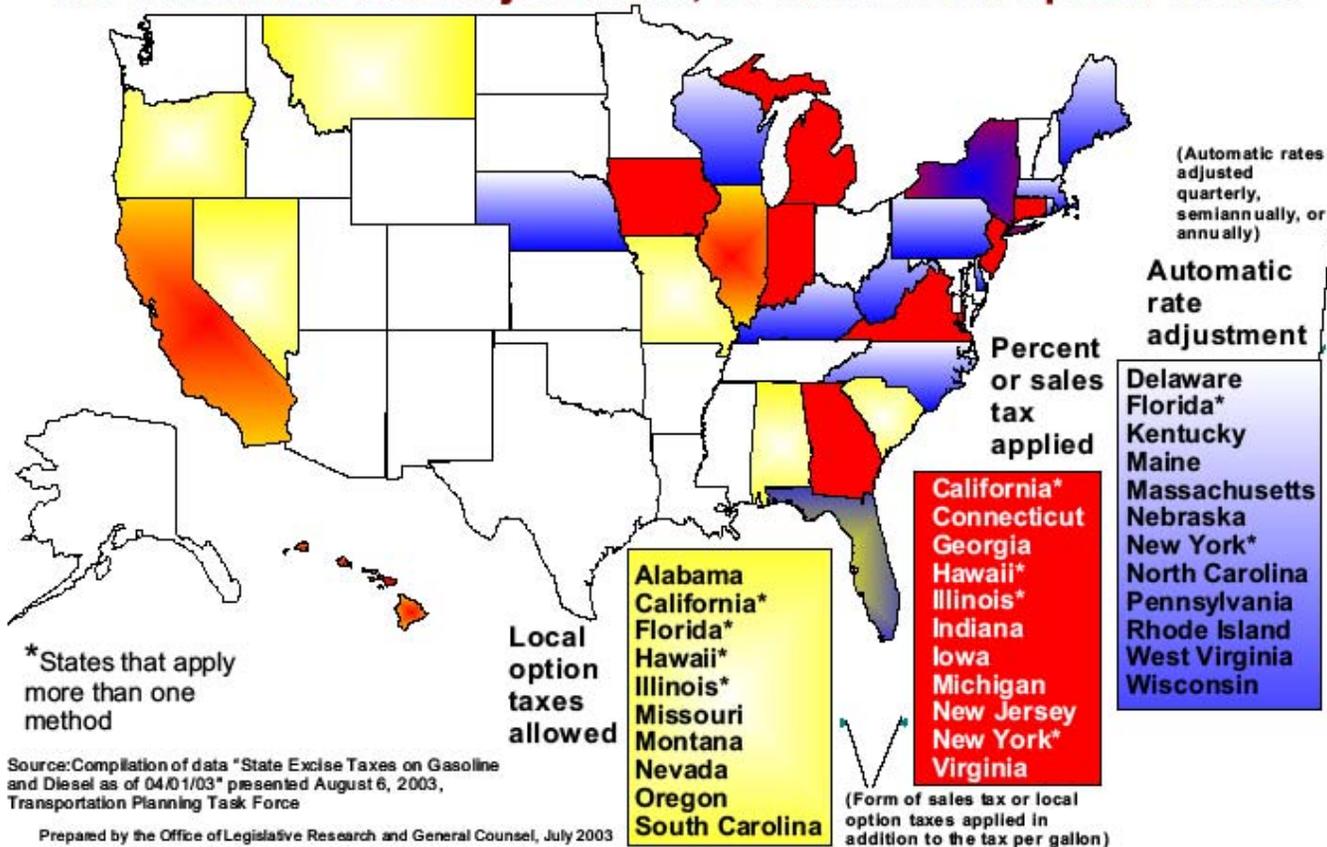
State	Gas (cpg)	Diesel (cpg)	Notes
Pennsylvania	31.1	35.1	Plus 1.1 cpg fee on gasoline going into USTs (rate increased 1/1/04 from 1 cpg to 1.1 cpg). Includes 18 cent per gallon oil company franchise tax on liquid fuels (primarily gasoline) and 23 cents per gallon oil company franchise tax on fuels (primarily diesel) and a 12 cents per gallon tax liquid fuels tax rate. (Oil company franchise tax rate increased from 14.2 cents per gallon to 18 cents per gallon for gasoline and from 19.2 cents per gallon to 23 cents per gallon for diesel on 1/1/05.) Franchise tax based on the average wholesale price of gasoline during a 1-year period. For 2004 the average price was \$1.17, up from 91.9 in 2003.
Rhode Island	30	30	Includes 3-cpg wholesale distributor tax. Does not include 1 cent per gallon environmental protection regulatory fee for UST program. Tax increased 2 cpg on 7/1/02.
South Carolina	16	16	Plus a 0.25 cpg inspection fee for inspection program and 0.50-cpg environmental fee for UST cleanup. Assessed on all petroleum products at the wholesale level.
South Dakota	22	22	Plus a 2-cpg throughput tax on distributors.
Tennessee	20	18	Plus 1-cent special petroleum tax for gasoline and .4 cpg environmental assurance fee.
Texas	20	20	NA
Utah	24.5	24.5	NA
Vermont	17.5	26	Rate includes 1 cpg license fee for UST fund.
Virginia	17.5	16	Plus 0.6-cpg petroleum storage tank fee and 2% sales tax on motor fuels in localities that are part of the Northern Virginia Transportation District.
Washington	28	28	Per legislation passed in 2003, rate increased 5 cpg effective 7/1/03.
West Virginia	20.5	20.5	Plus a 5% variable wholesale tax, presently 6.5 cpg, based on statewide average wholesale price of gasoline with a minimum price of \$1.30 per gallon. Variable wholesale tax increased 1/1/05 from 4.85 cpg to 6.5 cpg.
Wisconsin	32.1	32.1	Variable -- adjusted annually on 4/1. Rate calculated by multiplying the current rate by an inflation factor (annual change in the consumer price index.) Includes 3-cpg oil inspection fee on gasoline and diesel. Gasoline and diesel tax increased 0.6 cpg o
Wyoming	14	14	Includes base rate of 13 cpg plus 1 cpg to the environmental cleanup costs.

Source: GasPriceWatch, "Gasoline tax Rates by State," at "<http://www.gaspricewatch.com/usgastaxes.asp>"

Attachment 5: States with Variable Fuel Tax Rates

States With Variable Fuel Tax Rates

28 states apply a sales tax or percentage tax, an automatic rate adjustment, or allow local option taxes.



Attachment 6: Basic Data on Statewide Gasoline and Use Fuel Tax Increases

OPTION 1 Raise Statewide Gasoline Tax Rate from 18 Cents per Gallon to 24 Cents per Gallon

	Gasoline Taxes			Use Fuel Taxes			Statewide Totals	
	Tax per Gallon	Statewide Gasoline Sold	Estimated Statewide Gasoline Tax Collections	Tax per Gallon	Statewide Use Fuels Sold	Estimated Statewide Use Fuel Collections	Statewide Total Fuel Sold	Estimated Statewide Total Fuel Tax Collections
FY 2006	\$0.24	2,814,403,178	\$675,456,763	\$0.26	870,823,783	\$226,414,184	3,685,226,962	\$901,870,946
FY 2007	\$0.24	2,896,020,870	\$695,045,009	\$0.26	930,910,625	\$242,036,762	3,826,931,495	\$937,081,771
FY 2008	\$0.24	2,980,005,475	\$715,201,314	\$0.26	995,143,458	\$258,737,299	3,975,148,933	\$973,938,613
FY 2009	\$0.24	3,066,425,634	\$735,942,152	\$0.26	1,063,808,356	\$276,590,173	4,130,233,991	\$1,012,532,325
FY 2010	\$0.24	3,155,351,978	\$757,284,475	\$0.26	1,137,211,133	\$295,674,895	4,292,563,110	\$1,052,959,369
FY 2011	\$0.24	3,246,857,185	\$779,245,724	\$0.26	1,215,678,701	\$316,076,462	4,462,535,886	\$1,095,322,187
FY 2012	\$0.24	3,341,016,043	\$801,843,850	\$0.26	1,299,560,531	\$337,885,738	4,640,576,575	\$1,139,729,589
FY 2013	\$0.24	3,437,905,509	\$825,097,322	\$0.26	1,389,230,208	\$361,199,854	4,827,135,717	\$1,186,297,176
FY 2014	\$0.24	3,537,604,768	\$849,025,144	\$0.26	1,485,087,092	\$386,122,644	5,022,691,861	\$1,235,147,788
FY 2015	\$0.24	3,640,195,307	\$873,646,874	\$0.26	1,587,558,102	\$412,765,106	5,227,753,408	\$1,286,411,980
FY 2016	\$0.24	3,745,760,971	\$898,982,633	\$0.26	1,697,099,611	\$441,245,899	5,442,860,581	\$1,340,228,532
FY 2017	\$0.24	3,854,388,039	\$925,053,129	\$0.26	1,814,199,484	\$471,691,866	5,668,587,523	\$1,396,744,995
FY 2018	\$0.24	3,966,165,292	\$951,879,670	\$0.26	1,939,379,248	\$504,238,605	5,905,544,540	\$1,456,118,275
FY 2019	\$0.24	4,081,184,085	\$979,484,180	\$0.26	2,073,196,416	\$539,031,068	6,154,380,502	\$1,518,515,249
FY 2020	\$0.24	4,199,538,424	\$1,007,889,222	\$0.26	2,216,246,969	\$576,224,212	6,415,785,393	\$1,584,113,434
FY 2021	\$0.24	4,321,325,038	\$1,037,118,009	\$0.26	2,369,168,010	\$615,983,683	6,690,493,048	\$1,653,101,692
FY 2022	\$0.24	4,446,643,464	\$1,067,194,431	\$0.26	2,532,640,603	\$658,486,557	6,979,284,067	\$1,725,680,988
FY 2023	\$0.24	4,575,596,125	\$1,098,143,070	\$0.26	2,707,392,804	\$703,922,129	7,282,988,929	\$1,802,065,199
FY 2024	\$0.24	4,708,288,412	\$1,129,989,219	\$0.26	2,894,202,908	\$752,492,756	7,602,491,320	\$1,882,481,975
FY 2025	\$0.24	4,844,828,776	\$1,162,758,906	\$0.26	3,093,902,908	\$804,414,756	7,938,731,685	\$1,967,173,662
FY 2026	\$0.24	4,985,328,811	\$1,196,478,915	\$0.26	3,307,382,209	\$859,919,374	8,292,711,020	\$2,056,398,289
Total		101,274,432,060	\$19,162,760,012		54,294,417,680	\$10,041,154,022	155,568,849,740	\$29,203,914,034

OPTION 2 Index Gasoline and Use Fuel Tax Rates

	Gasoline Taxes			Use Fuel Taxes			Statewide Totals	
	Tax per Gallon	Statewide Gasoline Sold	Estimated Statewide Gasoline Tax Collections	Tax per Gallon	Statewide Use Fuels Sold	Estimated Statewide Use Fuel Collections	Statewide Total Fuel Sold	Estimated Statewide Total Fuel Tax Collections
FY 2006	\$0.1800	2,814,403,178	\$506,592,572	\$0.2600	870,823,783	\$226,414,184	3,685,226,962	\$733,006,756
FY 2007	\$0.1841	2,896,020,870	\$533,273,283	\$0.2660	930,910,625	\$247,603,608	3,826,931,495	\$780,876,891
FY 2008	\$0.1884	2,980,005,475	\$561,359,187	\$0.2721	995,143,458	\$270,776,087	3,975,148,933	\$832,135,274
FY 2009	\$0.1927	3,066,425,634	\$590,924,291	\$0.2784	1,063,808,356	\$296,117,208	4,130,233,991	\$887,041,500
FY 2010	\$0.1971	3,155,351,978	\$622,046,501	\$0.2848	1,137,211,133	\$323,829,930	4,292,563,110	\$945,876,431
FY 2011	\$0.2017	3,246,857,185	\$654,807,824	\$0.2913	1,215,678,701	\$354,136,201	4,462,535,886	\$1,008,944,025
FY 2012	\$0.2063	3,341,016,043	\$689,294,588	\$0.2980	1,299,560,531	\$387,278,746	4,640,576,575	\$1,076,573,334
FY 2013	\$0.2111	3,437,905,509	\$725,597,666	\$0.3049	1,389,230,208	\$423,523,002	4,827,135,717	\$1,149,120,668
FY 2014	\$0.2159	3,537,604,768	\$763,812,718	\$0.3119	1,485,087,092	\$463,159,249	5,022,691,861	\$1,226,971,967
FY 2015	\$0.2209	3,640,195,307	\$804,040,442	\$0.3190	1,587,558,102	\$506,504,934	5,227,753,408	\$1,310,545,376
FY 2016	\$0.2260	3,745,760,971	\$846,386,840	\$0.3264	1,697,099,611	\$553,907,211	5,442,860,581	\$1,400,294,051
FY 2017	\$0.2312	3,854,388,039	\$890,963,496	\$0.3339	1,814,199,484	\$605,745,725	5,668,587,523	\$1,496,709,221
FY 2018	\$0.2365	3,966,165,292	\$937,887,871	\$0.3416	1,939,379,248	\$662,435,650	5,905,544,540	\$1,600,323,521
FY 2019	\$0.2419	4,081,184,085	\$987,283,611	\$0.3494	2,073,196,416	\$724,431,015	6,154,380,502	\$1,711,714,627
FY 2020	\$0.2475	4,199,538,424	\$1,039,280,877	\$0.3575	2,216,246,969	\$792,228,341	6,415,785,393	\$1,831,509,218
FY 2021	\$0.2532	4,321,325,038	\$1,094,016,683	\$0.3657	2,369,168,010	\$866,370,615	6,690,493,048	\$1,960,387,298
FY 2022	\$0.2590	4,446,643,464	\$1,151,635,260	\$0.3741	2,532,640,603	\$947,451,641	6,979,284,067	\$2,099,086,901
FY 2023	\$0.2649	4,575,596,125	\$1,212,288,434	\$0.3827	2,707,392,804	\$1,036,120,798	7,282,988,929	\$2,248,409,232
FY 2024	\$0.2710	4,708,288,412	\$1,276,136,029	\$0.3915	2,894,202,908	\$1,133,088,235	7,602,491,320	\$2,409,224,264
FY 2025	\$0.2773	4,844,828,776	\$1,343,346,285	\$0.4005	3,093,902,908	\$1,239,130,564	7,938,731,685	\$2,582,476,849
FY 2026	\$0.2837	4,985,328,811	\$1,414,096,304	\$0.4097	3,307,382,209	\$1,355,097,076	8,292,711,020	\$2,769,193,380
Total		101,274,432,060	\$18,645,070,763		54,294,417,680	\$13,415,350,019	155,568,849,740	\$32,060,420,782

OPTION 3 Raise Gasoline Tax Rate to 24 Cents per Gallon and Index Gasoline and Use Fuel Taxes

	Gasoline Taxes			Use Fuel Taxes			Statewide Totals	
	Tax per Gallon	Statewide Gasoline Sold	Estimated Statewide Gasoline Tax Collections	Tax per Gallon	Statewide Use Fuels Sold	Estimated Statewide Use Fuel Collections	Statewide Total Fuel Sold	Estimated Statewide Total Fuel Tax Collections
FY 2006	\$0.2400	2,814,403,178	\$675,456,763	\$0.2600	870,823,783	\$226,414,184	3,685,226,962	\$901,870,946
FY 2007	\$0.2455	2,896,020,870	\$711,031,044	\$0.2660	930,910,625	\$247,603,608	3,826,931,495	\$958,634,652
FY 2008	\$0.2512	2,980,005,475	\$748,478,916	\$0.2721	995,143,458	\$270,776,087	3,975,148,933	\$1,019,255,003
FY 2009	\$0.2569	3,066,425,634	\$787,899,055	\$0.2784	1,063,808,356	\$296,117,208	4,130,233,991	\$1,084,016,264
FY 2010	\$0.2629	3,155,351,978	\$829,395,335	\$0.2848	1,137,211,133	\$323,829,930	4,292,563,110	\$1,153,225,264
FY 2011	\$0.2689	3,246,857,185	\$873,077,099	\$0.2913	1,215,678,701	\$354,136,201	4,462,535,886	\$1,227,213,300
FY 2012	\$0.2751	3,341,016,043	\$919,059,450	\$0.2980	1,299,560,531	\$387,278,746	4,640,576,575	\$1,306,338,196
FY 2013	\$0.2814	3,437,905,509	\$967,463,554	\$0.3049	1,389,230,208	\$423,523,002	4,827,135,717	\$1,390,986,556
FY 2014	\$0.2879	3,537,604,768	\$1,018,416,957	\$0.3119	1,485,087,092	\$463,159,249	5,022,691,861	\$1,481,576,206
FY 2015	\$0.2945	3,640,195,307	\$1,072,053,923	\$0.3190	1,587,558,102	\$506,504,934	5,227,753,408	\$1,578,558,857
FY 2016	\$0.3013	3,745,760,971	\$1,128,515,787	\$0.3264	1,697,099,611	\$553,907,211	5,442,860,581	\$1,682,422,998
FY 2017	\$0.3082	3,854,388,039	\$1,187,951,328	\$0.3339	1,814,199,484	\$605,745,725	5,668,587,523	\$1,793,697,053
FY 2018	\$0.3153	3,966,165,292	\$1,250,517,161	\$0.3416	1,939,379,248	\$662,435,650	5,905,544,540	\$1,912,952,811
FY 2019	\$0.3225	4,081,184,085	\$1,316,378,148	\$0.3494	2,073,196,416	\$724,431,015	6,154,380,502	\$2,040,809,164
FY 2020	\$0.3300	4,199,538,424	\$1,385,707,836	\$0.3575	2,216,246,969	\$792,228,341	6,415,785,393	\$2,177,936,177
FY 2021	\$0.3376	4,321,325,038	\$1,458,688,911	\$0.3657	2,369,168,010	\$866,370,615	6,690,493,048	\$2,325,059,525
FY 2022	\$0.3453	4,446,643,464	\$1,535,513,680	\$0.3741	2,532,640,603	\$947,451,641	6,979,284,067	\$2,482,965,321
FY 2023	\$0.3533	4,575,596,125	\$1,616,384,579	\$0.3827	2,707,392,804	\$1,036,120,798	7,282,988,929	\$2,652,505,377
FY 2024	\$0.3614	4,708,288,412	\$1,701,514,705	\$0.3915	2,894,202,908	\$1,133,088,235	7,602,491,320	\$2,834,602,940
FY 2025	\$0.3697	4,844,828,776	\$1,791,128,380	\$0.4005	3,093,902,908	\$1,239,130,564	7,938,731,685	\$3,030,258,944
FY 2026	\$0.3782	4,985,328,811	\$1,885,461,739	\$0.4097	3,307,382,209	\$1,355,097,076	8,292,711,020	\$3,240,558,814
Total		101,274,432,060	\$24,860,094,350		54,294,417,680	\$13,415,350,019	155,568,849,740	\$38,275,444,370

Attachment 7: Projected Increases in HURF Revenue from Three Options for Raising Fuel Taxes

OPTION 1 Raise Statewide Gasoline Tax Rate to 24 Cents per Gallon (\$Million)

Fiscal Year	Original Total HURF Estimates	Original Gas/Use Fuel Taxes	Revised Gas/Use Fuel Taxes	Revised Total HURF Estimates	Increase in HURF Revenue	% Increase in HURF Revenue
2006	\$1,303.1	\$721.9	\$901.8	\$1,483.0	\$179.9	13.8%
2007	\$1,378.1	\$763.5	\$937.1	\$1,551.7	\$173.6	12.6%
2008	\$1,443.4	\$799.6	\$973.9	\$1,617.7	\$174.3	12.1%
2009	\$1,511.8	\$837.5	\$1,012.5	\$1,686.8	\$175.0	11.6%
2010	\$1,574.4	\$872.2	\$1,053.0	\$1,755.2	\$180.8	11.5%
2011	\$1,645.5	\$911.6	\$1,095.3	\$1,829.2	\$183.7	11.2%
2012	\$1,715.4	\$950.3	\$1,139.7	\$1,904.8	\$189.4	11.0%
2013	\$1,794.3	\$994.0	\$1,186.3	\$1,986.6	\$192.3	10.7%
2014	\$1,871.7	\$1,036.9	\$1,235.1	\$2,069.9	\$198.2	10.6%
2015	\$1,958.4	\$1,084.9	\$1,286.4	\$2,159.8	\$201.5	10.3%
2016	\$2,049.1	\$1,135.2	\$1,340.2	\$2,254.1	\$205.0	10.0%
2017	\$2,144.0	\$1,187.8	\$1,396.7	\$2,352.9	\$208.9	9.7%
2018	\$2,243.3	\$1,242.8	\$1,456.1	\$2,456.6	\$213.3	9.5%
2019	\$2,347.2	\$1,300.3	\$1,518.5	\$2,565.3	\$218.2	9.3%
2020	\$2,455.9	\$1,360.6	\$1,584.1	\$2,679.4	\$223.5	9.1%
2021	\$2,569.6	\$1,423.6	\$1,653.1	\$2,799.1	\$229.5	8.9%
2022	\$2,688.6	\$1,489.5	\$1,725.7	\$2,924.8	\$236.2	8.8%
2023	\$2,813.1	\$1,558.5	\$1,802.1	\$3,056.8	\$243.6	8.7%
2024	\$2,943.4	\$1,630.7	\$1,882.5	\$3,195.3	\$251.8	8.6%
2025	\$3,079.7	\$1,706.2	\$1,967.2	\$3,340.8	\$261.0	8.5%
2026	\$3,222.4	\$1,785.2	\$2,056.2	\$3,493.4	\$271.0	8.4%
Total	\$44,752.4	\$24,792.8	\$29,203.5	\$49,163.1	\$4,410.7	9.9%

OPTION 2 Index Gasoline and Use Fuel Tax Rates (\$Million)

Fiscal Year	Original Total HURF Estimates	Original Gas/Use Fuel Taxes	Revised Gas/Use Fuel Taxes	Revised Total HURF Estimates	Increase in HURF Revenue	% Increase in HURF Revenue
2006	\$1,303.1	\$721.9	\$733.0	\$1,314.2	\$11.1	0.9%
2007	\$1,378.1	\$763.5	\$780.9	\$1,395.5	\$17.4	1.3%
2008	\$1,443.4	\$799.6	\$832.1	\$1,475.9	\$32.5	2.2%
2009	\$1,511.8	\$837.5	\$887.0	\$1,561.3	\$49.5	3.3%
2010	\$1,574.4	\$872.2	\$945.9	\$1,648.1	\$73.7	4.7%
2011	\$1,645.5	\$911.6	\$1,008.9	\$1,742.8	\$97.3	5.9%
2012	\$1,715.4	\$950.3	\$1,076.6	\$1,841.7	\$126.3	7.4%
2013	\$1,794.3	\$994.0	\$1,149.1	\$1,949.4	\$155.1	8.6%
2014	\$1,871.7	\$1,036.9	\$1,227.0	\$2,061.8	\$190.1	10.2%
2015	\$1,958.4	\$1,084.9	\$1,310.5	\$2,183.9	\$225.6	11.5%
2016	\$2,049.1	\$1,135.2	\$1,400.3	\$2,314.2	\$265.1	12.9%
2017	\$2,144.0	\$1,187.8	\$1,496.7	\$2,452.9	\$308.9	14.4%
2018	\$2,243.3	\$1,242.8	\$1,600.3	\$2,600.8	\$357.5	15.9%
2019	\$2,347.2	\$1,300.3	\$1,711.7	\$2,758.5	\$411.4	17.5%
2020	\$2,455.9	\$1,360.6	\$1,831.5	\$2,926.8	\$470.9	19.2%
2021	\$2,569.6	\$1,423.6	\$1,960.4	\$3,106.4	\$536.8	20.9%
2022	\$2,688.6	\$1,489.5	\$2,099.1	\$3,298.2	\$609.6	22.7%
2023	\$2,813.1	\$1,558.5	\$2,248.4	\$3,503.1	\$689.9	24.5%
2024	\$2,943.4	\$1,630.7	\$2,409.2	\$3,722.0	\$778.5	26.5%
2025	\$3,079.7	\$1,706.2	\$2,582.5	\$3,956.1	\$876.3	28.5%
2026	\$3,222.4	\$1,785.2	\$2,769.2	\$4,206.4	\$984.0	30.5%
Total	\$44,752.4	\$24,792.8	\$32,060.3	\$52,019.9	\$7,267.5	16.2%

OPTION 3 Raise Gasoline Tax Rate to 24 Cents per Gallon and Index Gasoline and Use Fuel Taxes (\$Million)

Fiscal Year	Original Total HURF Estimates	Original Gas/Use Fuel Taxes	Revised Gas/Use Fuel Taxes	Revised Total HURF Estimates	Increase in HURF Revenue	% Increase in HURF Revenue
2006	\$1,303.1	\$721.9	\$901.9	\$1,483.1	\$180.0	13.8%
2007	\$1,378.1	\$763.5	\$958.6	\$1,573.2	\$195.1	14.2%
2008	\$1,443.4	\$799.6	\$1,019.3	\$1,663.1	\$219.7	15.2%
2009	\$1,511.8	\$837.5	\$1,084.0	\$1,758.3	\$246.5	16.3%
2010	\$1,574.4	\$872.2	\$1,153.2	\$1,855.4	\$281.0	17.8%
2011	\$1,645.5	\$911.6	\$1,227.2	\$1,961.1	\$315.6	19.2%
2012	\$1,715.4	\$950.3	\$1,306.3	\$2,071.4	\$356.0	20.8%
2013	\$1,794.3	\$994.0	\$1,391.0	\$2,191.3	\$397.0	22.1%
2014	\$1,871.7	\$1,036.9	\$1,481.6	\$2,316.4	\$444.7	23.8%
2015	\$1,958.4	\$1,084.9	\$1,578.6	\$2,452.0	\$493.7	25.2%
2016	\$2,049.1	\$1,135.2	\$1,682.4	\$2,596.3	\$547.2	26.7%
2017	\$2,144.0	\$1,187.8	\$1,793.7	\$2,749.9	\$605.9	28.3%
2018	\$2,243.3	\$1,242.8	\$1,913.0	\$2,913.5	\$670.2	29.9%
2019	\$2,347.2	\$1,300.3	\$2,040.8	\$3,087.6	\$740.5	31.5%
2020	\$2,455.9	\$1,360.6	\$2,177.9	\$3,273.2	\$817.3	33.3%
2021	\$2,569.6	\$1,423.6	\$2,325.1	\$3,471.1	\$901.5	35.1%
2022	\$2,688.6	\$1,489.5	\$2,483.0	\$3,682.1	\$993.5	37.0%
2023	\$2,813.1	\$1,558.5	\$2,652.5	\$3,907.2	\$1,094.0	38.9%
2024	\$2,943.4	\$1,630.7	\$2,834.6	\$4,147.4	\$1,203.9	40.9%
2025	\$3,079.7	\$1,706.2	\$3,030.3	\$4,403.9	\$1,324.1	43.0%
2026	\$3,222.4	\$1,785.2	\$3,240.6	\$4,677.8	\$1,455.4	45.2%
Total	\$44,752.4	\$24,792.8	\$38,275.6	\$58,235.2	\$13,482.8	30.1%

ENDNOTES

- ¹ The federal rate also includes 0.1¢ for the leaking underground storage tank (LUST) cleanup program, for a total of 18.4¢ per gallon.
- ² A.R.S. §28-5433
- ³ Data obtained from the World Bank, 2005.
- ⁴ As a simplified example, Phoenix has a tax rate of 1.8% and a population of about 1.5 million. It generates about \$440 million in taxes, or about \$162 per capita for each 1% of sales tax. For the overall County, the collections equate to about \$200 per capita. Data from City of Phoenix budget and RARF reports.
- ⁵ Counties cannot impose this type of sales tax.
- ⁶ The calculation is thus: $\$300,000 \times 65\% \times 2\% = \3900 . The 65% factor is imposed by state law.
- ⁷ Minor allocations from the motor fuel taxes are allocated to the Leaking Underground Storage Tank Trust Fund and the General Fund
- ⁸ The Equity Bonus Program provides funding to states to ensure a minimum rate of return to the state of contributions from the state to the Highway Account.
- ⁹ See Arizona Department of Transportation, "Highway User Revenue Fund: Fiscal year 2006 Year-End Report," August 2006
- ¹⁰ Ibid; Maricopa County estimates include total population in the County.
- ¹¹ Ibid
- ¹² Under Collections, ADOT reports General Fund Transfers of \$58 million between FY 1998 and 1991.
- ¹³ Source ADOT 2006 Vehicle License Tax report
- ¹⁴ Source ADOT Public Transportation Division
- ¹⁵ "Onboard Transportation Program Annual Report," at <http://www.phxurs.com/go/>
- ¹⁶ See A.R.S. 28-6712, which say in part: "For road purposes the board of supervisors may levy a real and personal property tax of not more than twenty-five cents per one hundred dollars of property in the county as valued for tax purposes. The board of supervisors shall levy and collect the tax at the same time and in the same manner as other primary property taxes are levied and collected."
- ¹⁷ Assessed valuation from Maricopa County Assessors 2006 Tax Levy report.
- ¹⁸ A.R.S. §28-6801 defines county "toll roads" as "includes trails for the **passage of saddle and pack animals** and foot passengers, as well as roads designed for the passage of vehicles, if the trails have been built in mountainous or precipitous places or in other places where the building of roads for the passage of vehicles would be impracticable." (emphasis added)
- ¹⁹ See Arizona State Senate Fact Sheet on HB 2149, March 2, 1998.
- ²⁰ Curtis Lueck & Associates, "Existing Transportation Revenues," January 10, 2007.
- ²¹ Use fuels include all gases and liquids suitable or used to propel motor vehicles, except gasoline. Diesel fuel is a use fuel.
- ²² VTPI's website is at <http://www.vtpi.org/tdm/tdm119.htm>. Santa Cruz County TTF is at <http://www.tftaskforce.org>.
- ²³ Source "<http://www.gaspricewatch.com/usgastaxes.asp>"
- ²⁴ "Light class motor vehicles" are defined as a vehicle that "uses use fuel,' but is not "a road tractor, truck tractor, truck or passenger carrying vehicle having a declared gross vehicle rate of more than twenty-six thousand pounds or having more than two axles." (A.R.S. § 28-5601(17))
- ²⁵ "Use class motor vehicles" are defined as "a road tractor, truck tractor, truck or passenger carrying vehicle having a declared gross vehicle rate of more than twenty-six thousand pounds or having more than two axles" (A.R.S. § 28-5601(37))
- ²⁶ Wachs, Martin, "A Dozen Reasons for Raising Gasoline taxes," Institute of Transportation Studies, University of California at Berkeley, Research report UCB-ITS-RR-2003-1, March 2003
- ²⁷ Data on inflation from 1990 to 2005 is from the Federal Reserve Bank of Minneapolis, at "<http://www.minneapolisfed.org/research/data/us/calc/hist1913.cfm>." An inflation rate of 2.3% was assumed for 2006 to 2010.
- ²⁸ Legislation to index fuel taxes to inflation might use the Engineering News Record Construction Cost Index (ENR-CCI) instead of the CPI. The ENR-CCI would be a more

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- precise measure of inflation in roadway construction. Between 1991 and 2005, the ENR-CCI averaged a slightly higher rate of increase (3.05%) than the CPI (2.67%). Information on the ENR-CCI can be found in the monthly Engineering News Report. Information on CPI can be found at the Federal Reserve Bank of Minneapolis, op cit.
- ²⁹ The data in Attachments 4 and 5 is based upon estimates gallons of gasoline and use fuel that will be sold statewide between FY 2006 and 2026. Data on gallons sold in FY 2006 are from Arizona Department of Transportation at "http://www.azdot.gov/inside_azdot/fms/gallon2.asp." Projections for future sales are based upon the average growth in sales from FY 1990 to 2006 of 2.9% for gasoline and 6.9% for use fuel. Past sales of fuel by gallons is also at the ADOT site identified in this footnote.
- ³⁰ ADOT at "http://www.azdot.gov/inside_azdot/fms/gallon2.asp." ADOT does not provide estimates of gallons sold by incorporated jurisdictions, only at the county level.
- ³¹ See ADOT, "Highway User Revenue Fund: Fiscal Year 2006 Year-End Report," at "http://www.azdot.gov/inside_azdot/fms/pdf/hurf06.pdf"
- ³² A.R.S. §42-5061(A)(22) excludes from the transaction privilege tax "Motor vehicle fuel and use fuel which are subject to a tax imposed under title 28, chapter 16, article 1," as well as the sales of other fuels.
- ³³ See "<http://www.fuelgaugereport.com/AZmetro.asp>"
- ³⁴ U.S. Department of Energy, Energy Information Administration, "A Primer on Gasoline Prices" and "A Primer on Diesel Fuel Prices," at "<http://www.eia.doe.gov>"
- ³⁵ Arizona Department of Transportation, "Highway User Revenue Fund, Fiscal Year 2006 Year-End Report"
- ³⁶ See "http://www.azdot.gov/inside_azdot/fms/pdf/vlt06det.pdf" and "http://www.azdot.gov/inside_azdot/fms/pdf/vlt06sum.pdf"
- ³⁷ Arizona Department of Revenue, "June 2006 Tax Facts," at "<http://www.ador.gov/Newsroom/TaxFacts/2006/0606Taxfact.pdf>"
- ³⁸ See also A.R.S. §42-6111 and §42-6110.
- ³⁹ Maricopa Association of Governments, "Developer Forum # 2, I-10/Hassayampa Valley Roadway Framework Study," July 26, 2006, Slide 2
- ⁴⁰ Curtis Lueck and Associates, "Analysis of the Potential of Development Impact fees and Improvement Districts for Providing New Revenues for Maricopa County Department of Transportation," March 2006
- ⁴¹ For a more complete discussion of a Maricopa County impact fee program, see the Curtis Lueck and Associates report cited above.
- ⁴² Maricopa Association of Governments, "Interim Projections of Population, Housing, and Employment by Municipal Planning Areas and Regional Analysis Zone, July 2003."
- ⁴³ Table 8.17 is adapted from "Chapter 5, Needs Assessment and Options for Securing Additional Revenues," in Maricopa County Transportation System Plan.
- ⁴⁴ Surprise uses this term for its newly approved impact fees for "Roads of Regional Significance."
- ⁴⁵ See "<http://www.delcode.state.de.us/title29/c091/sc02/index.htm>"
- ⁴⁶ See "<http://leg1.state.va.us/cgi-bin/legp504.exe?071+sum+HB1666>," as well as "+HB1667" and "+HB1668"
- ⁴⁷ The report is available at "<http://www.fsu.edu/~collins/index.html>"
- ⁴⁸ See "<http://phoenix.bizjournals.com/phoenix/stories/2007/01/15/story6.html>." The full article is available only to paid subscribers to the print edition of the Business Journal.
- ⁴⁹ See "<http://www.vtppi.org/tdm>"
- ⁵⁰ See "<http://www.vtppi.org/tdm/tdm35.htm>"
- ⁵¹ ibid
- ⁵² AMPO, Regulatory Alert," October 11, 2006
- ⁵³ Data for VMT was obtained from ADOT's Highway System Performance Monitoring System, at "<http://tpd.azdot.gov/datateam/hpms.php>." Data for HURF revenues was obtained from ADOT's year-end reports, at "http://www.azdot.gov/inside_dot/fms/archive.asp." The HPMS data was not available for FY 2003 and data for FY 2005 is reported as still under development.
- ⁵⁴ FHWA, "Toll Facilities In The United States: Bridges-Roads-Tunnels-Ferries," June 2005, at "<http://www.fhwa.dot.gov.ohim/tollpage.htm>"

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- ⁵⁵ Federal Highway Administration, "Congestion Pricing: A Primer," December 2006, at "<http://ops.fhwa.dot.gov/publications/congestionpricing/index.htm>." This classification scheme is similar to that offered by the Victoria Transport Policy Institute, at <http://www.vtpi.org/tm/tm35.htm>"
- ⁵⁶ Statement of Douglas Holtz-Eakin, Director of the Congressional Budget Office, before the Joint Economic Committee, U.S. Congress, "Congestion Pricing for Highways," May 6, 2003, page 2, at "<http://www.cbo.gov/ftpdocs/41xx/doc4197/05-06-CongestionPricing.pdf>."
- ⁵⁷ Eakin, page 2-3
- ⁵⁸ Testimony of JayEtta Z. Hecker before the Joint Economic Committee, U.S. Congress, "Reducing Congestion: Congestion Pricing Has Promise for Improving Use of Transportation Infrastructure," May 6, 2003, at "<http://www.gao.gov/new.item.d03735t.pdf>."
- ⁵⁹ FHWA, op. cit., Page 1
- ⁶⁰ Hecker, op. cit., Page 10 – 12.
- ⁶¹ FHWA, op. cit., Page 4
- ⁶² Holtz-Eakins, op. cit., Page 4
- ⁶³ Holtz-Eakins, op.cit., Page 5
- ⁶⁴ Maricopa County, Arizona, "FY 2006-07 Annual Business Strategies – Debt Service," pages 877 to 894
- ⁶⁵ Ibid, page 885
- ⁶⁶ Maricopa County, Arizona, "Comprehensive Annual Financial Report: Fiscal Year Ended June 30, 2005, Page 268. The data in this CAFR differs from information presented in the FY 2006-07 Business Strategies regarding assessed value and debt limit. Since the data for previous years is taken from the CAFR, the report uses the CAFR data for FY 2005 as well. The FY 2006-07 Business Strategies reported assessed value of \$33.2 billion compared to \$30.1 billion and legal debt limit of almost \$5.0 billion compared to \$4.5 billion.
- ⁶⁷ Based on state and local property tax data for FY 2004 data from The Tax Foundation, <http://www.taxfoundation.org/taxdata/show/251.html>
- ⁶⁸ Total County property tax rates have declined from \$1.6248 in FY 2000 to \$1.4348 in FY 2007
Source: "<http://www.maricopa.gov/finance/taxlevy.asp>"