

Transportation Funding Overview: Dealing with Change and Uncertainty

Transportation Policy Committee
March 20, 2013



The world has changed.....

Prop. 400 gets thumbs-up

Vote is seen as sign for future unity

By Pat Tierney and Bob Collins
The Arizona Republic

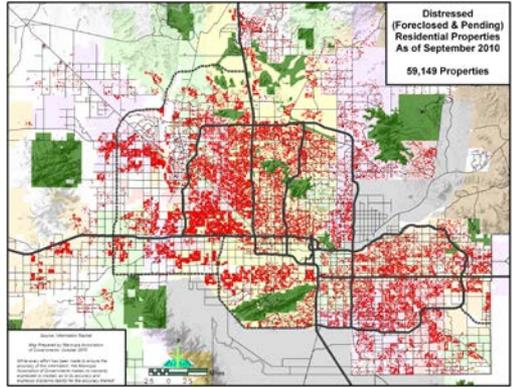
Extension of the Valley's rail and transportation network has been seen as a sign of unity at the year's end, giving rise to an ambitious freeway and mass transit plan whose popularity with voters was in question to the end of an uncertain year.

Ballot Proposition 400, which shows a sign of positive momentum about transit and a good team to represent the region, despite other issues, like water conservation and air quality.

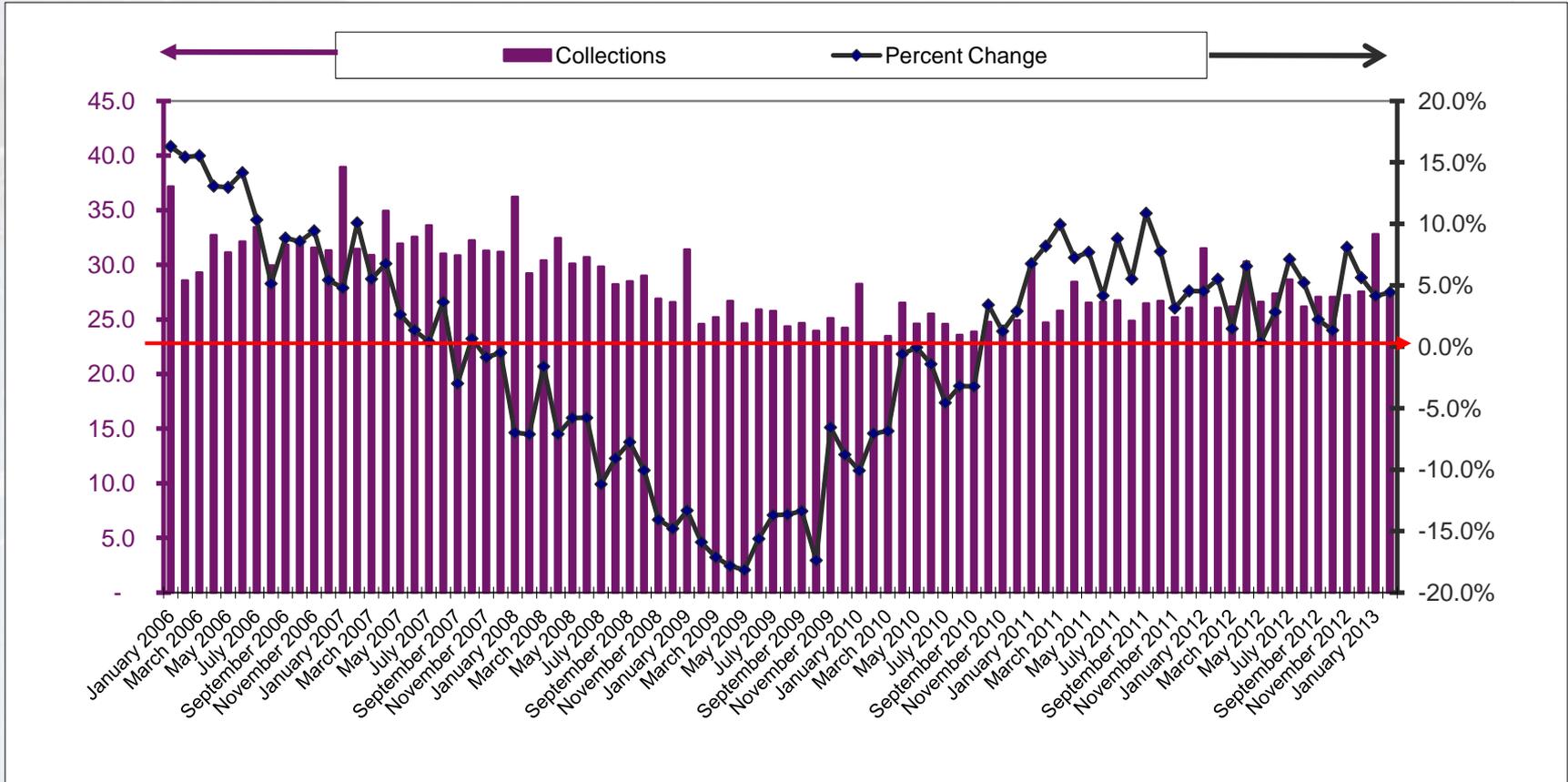
"The fact that we were coming across as a united front on this issue is a good sign," said Scottsdale Mayor Marlene Miller.

Opponents, however, wanted to get behind a plan in the weeks of the big deficit.

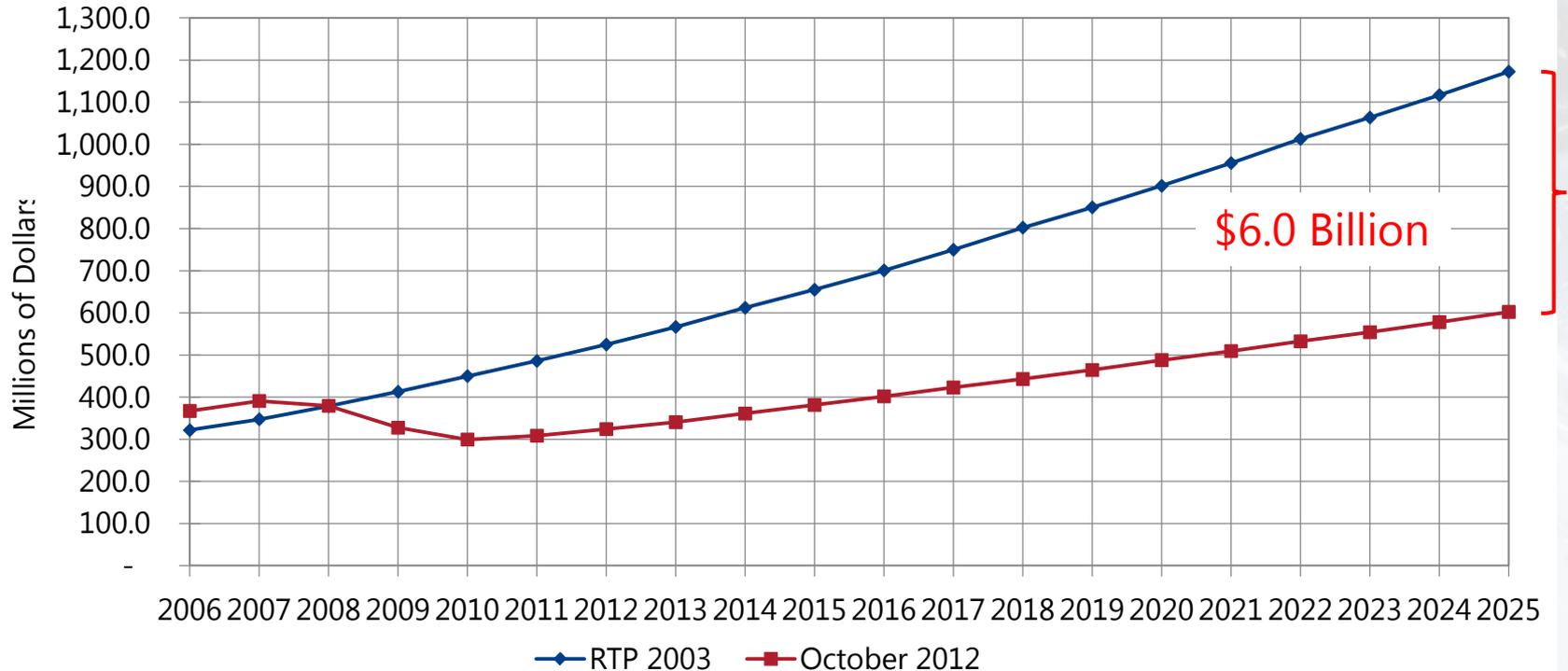
"Obviously, the voters decided what they want to do," says Miller.



Proposition 400 Sales Tax Monthly Collections

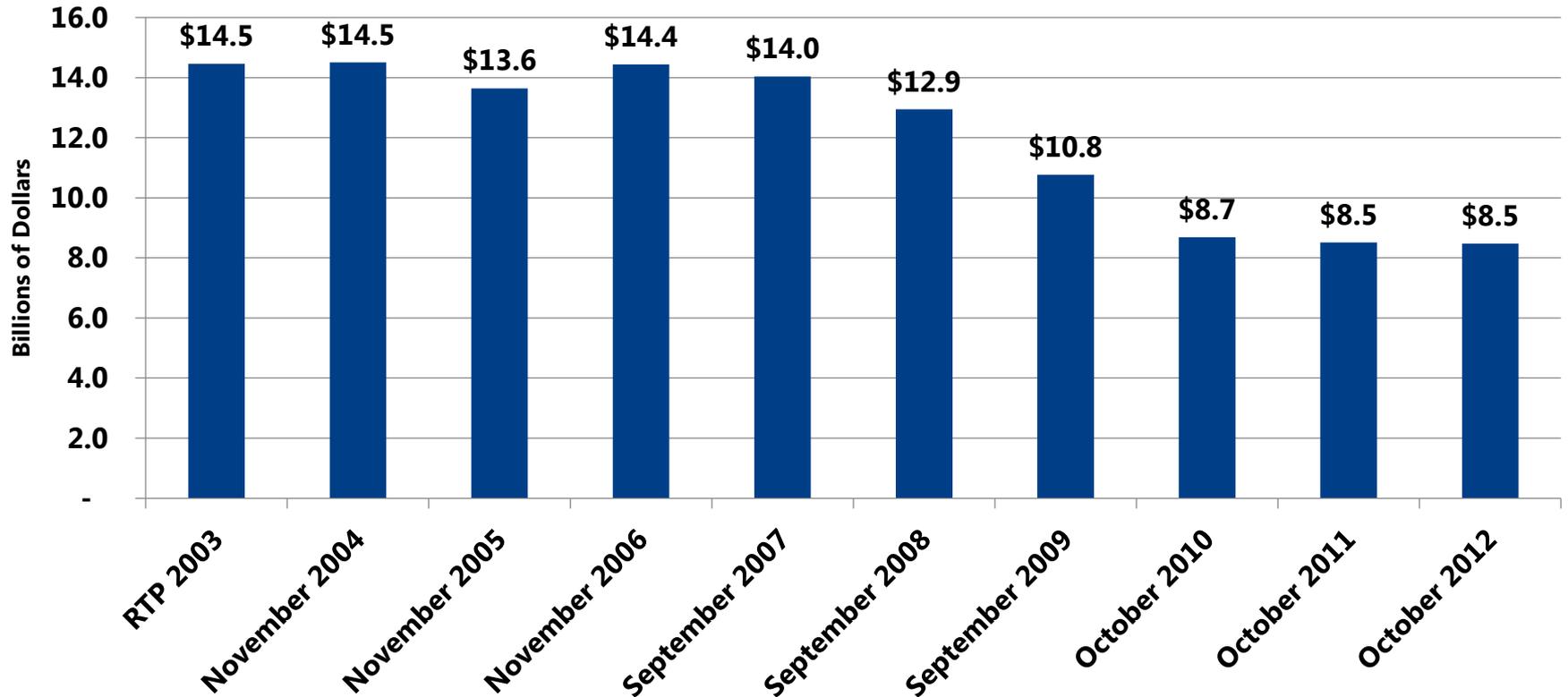


Comparison of 2003 RTP and Current Sales Tax Projections



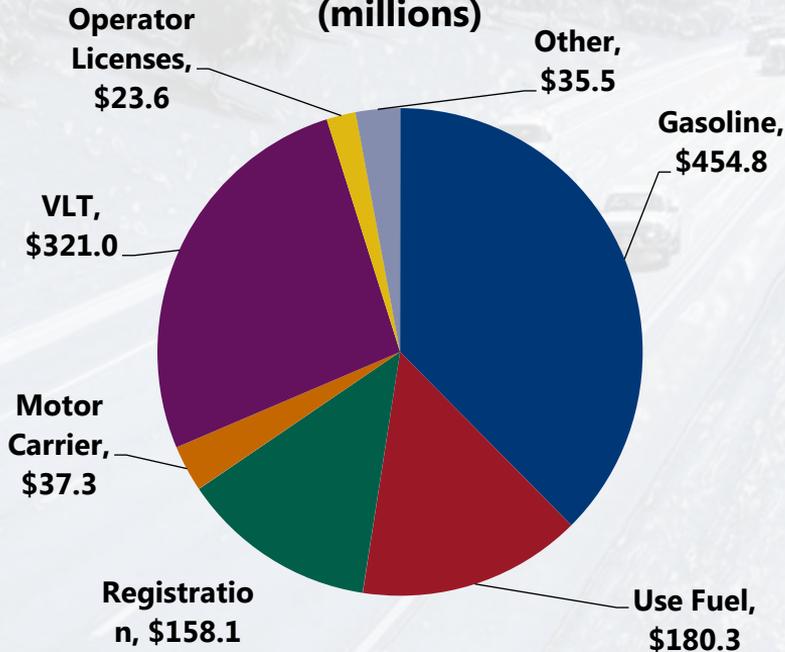
Historical Proposition 400 Sales Tax Revenue Forecasts

Cumulative Revenue: FY 2006 to FY 2026

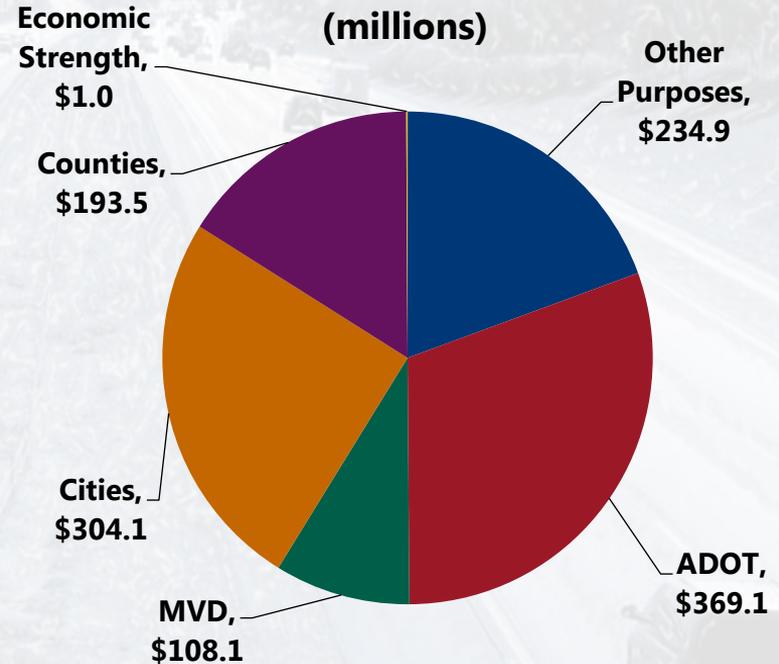


Sources & Uses of the Arizona Highway User Revenue Fund (HURF) for FY 2012

Sources (millions)

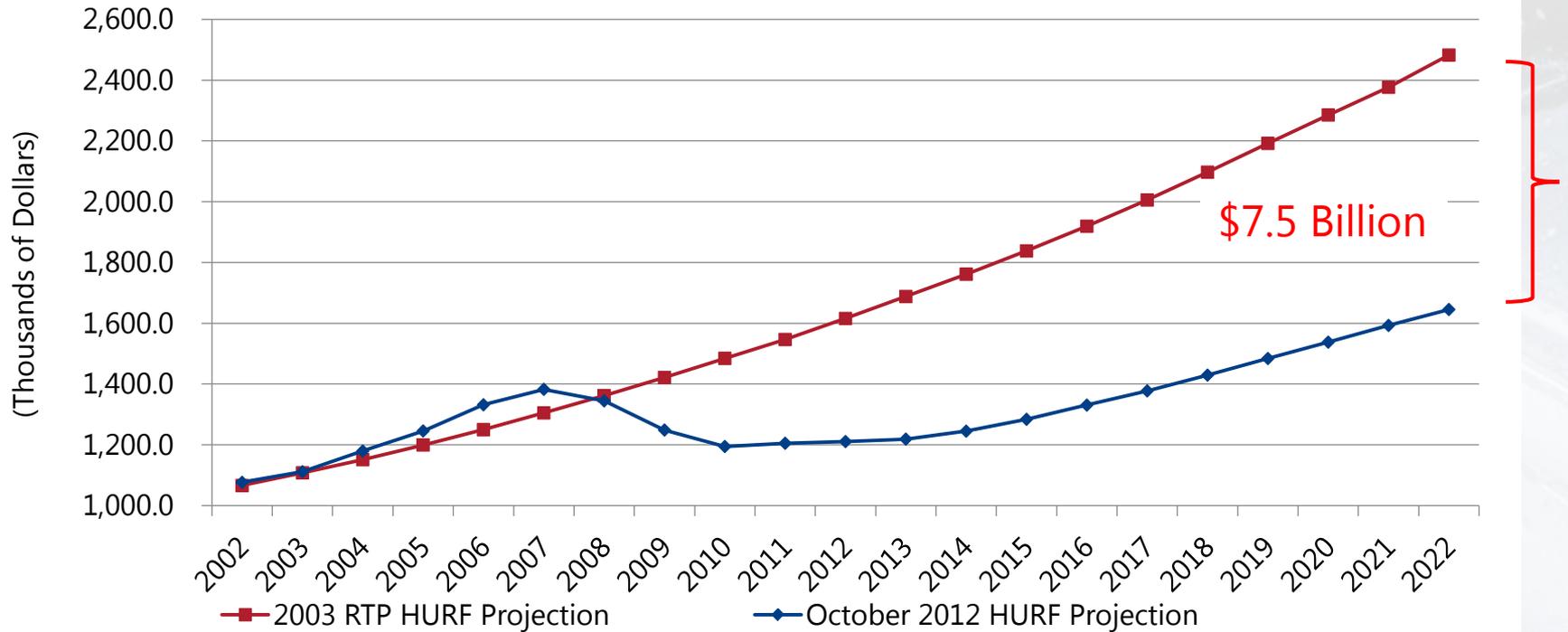


Uses (millions)

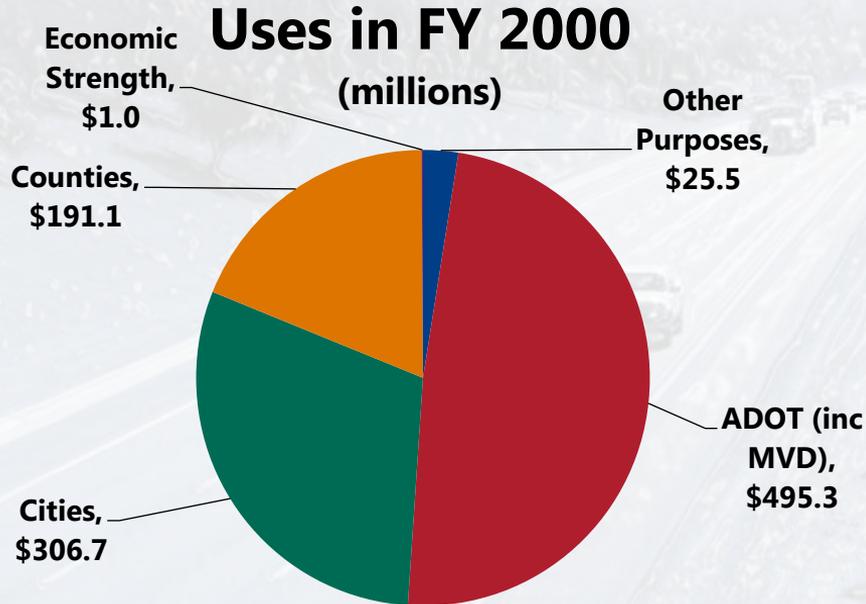


Total Revenue: \$1.21 million

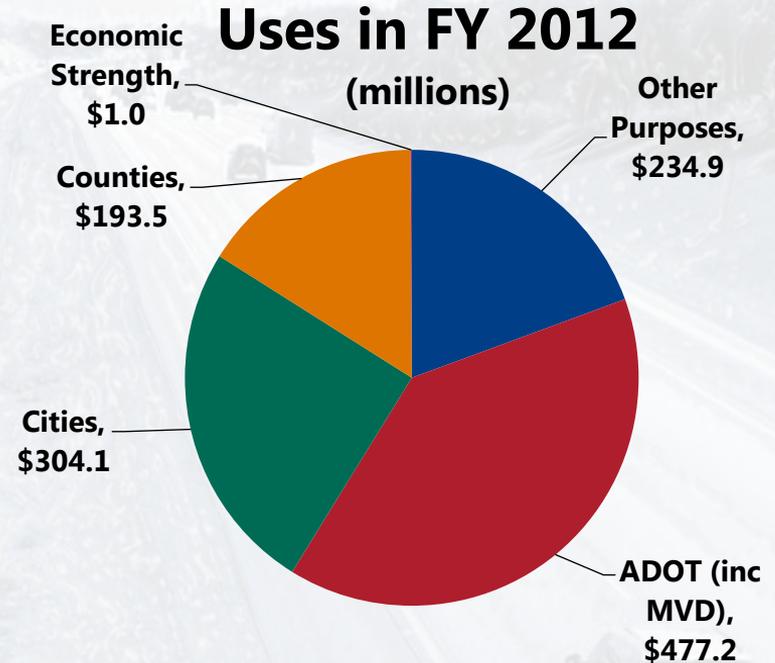
Comparison of 2003 RTP and Current Highway User Revenue Fund Projections



Comparison of Uses of HURF

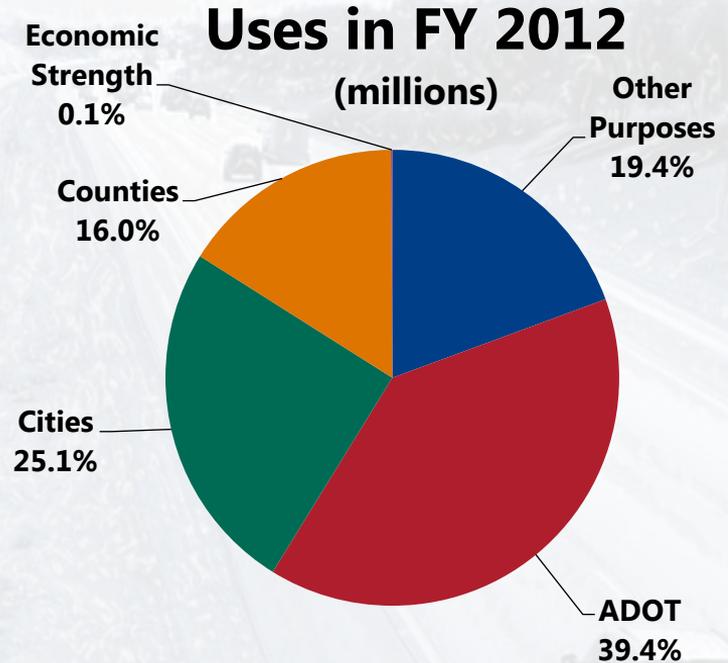
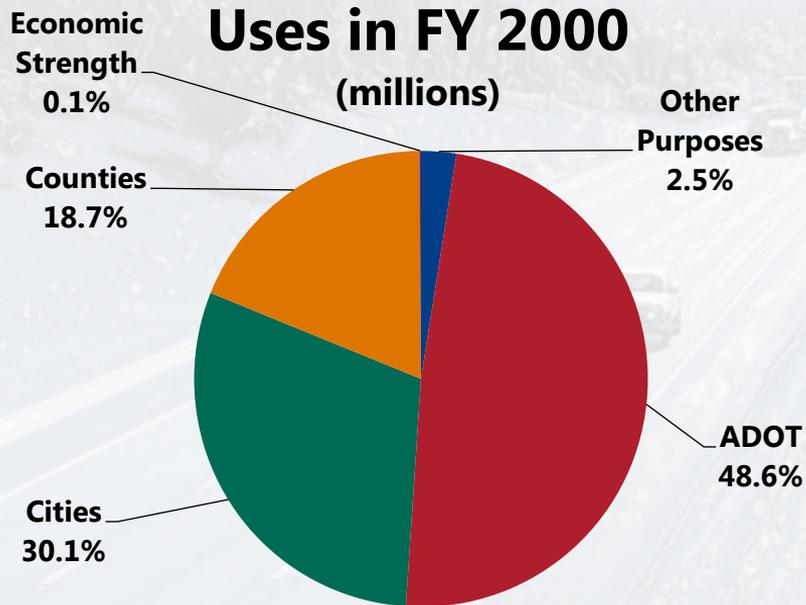


Total Revenue: \$1.020 million

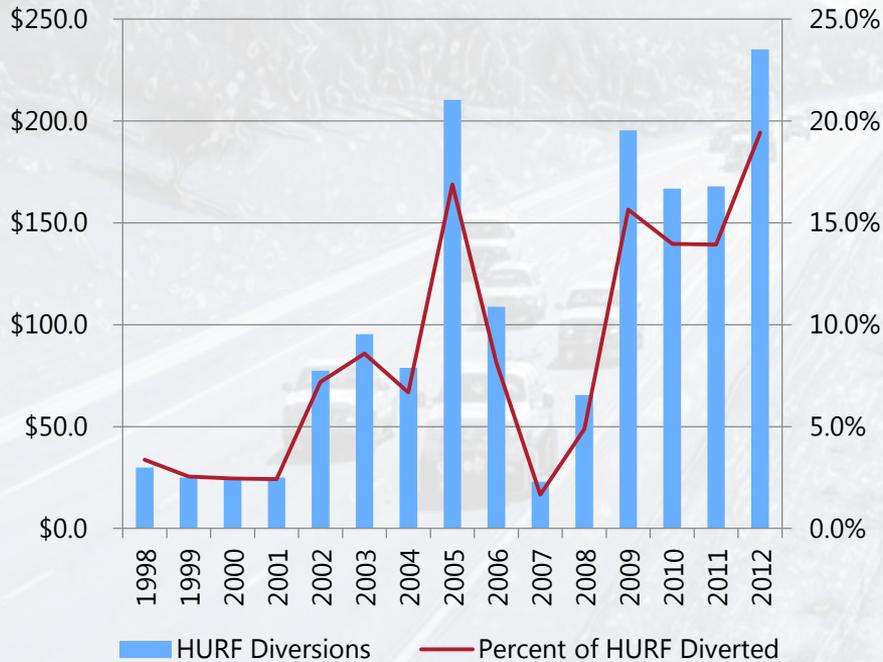


Total Revenue: \$1.211 million

Comparison of Uses of HURF

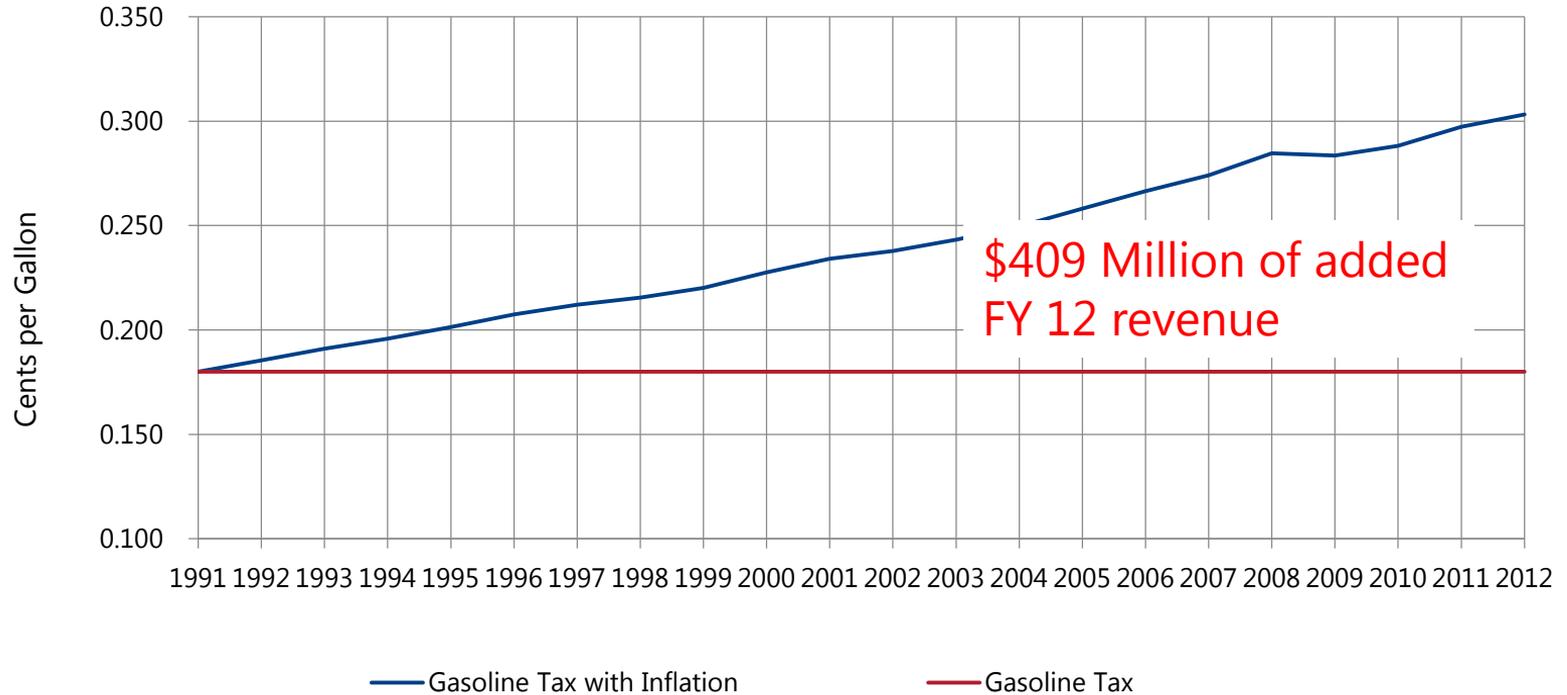


Threats to Highway User Funding

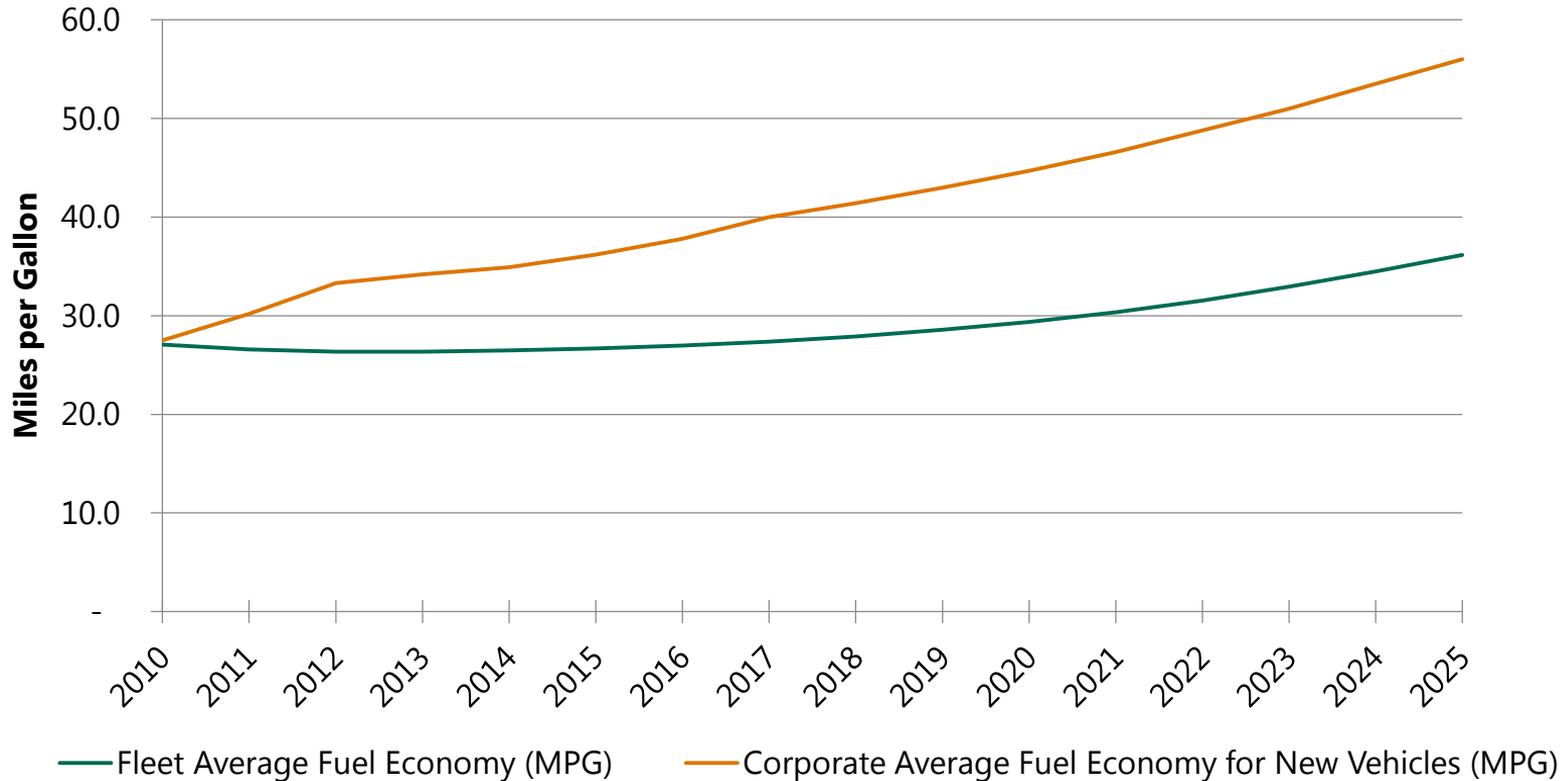


- Diversions
- Fixed tax per gallon – no inflation adjustment
- Fuel economy standards
- Conversion to alt fuels
 - Electric
 - CNG
- Reduced driving response to gas prices
- Reduced VLT growth

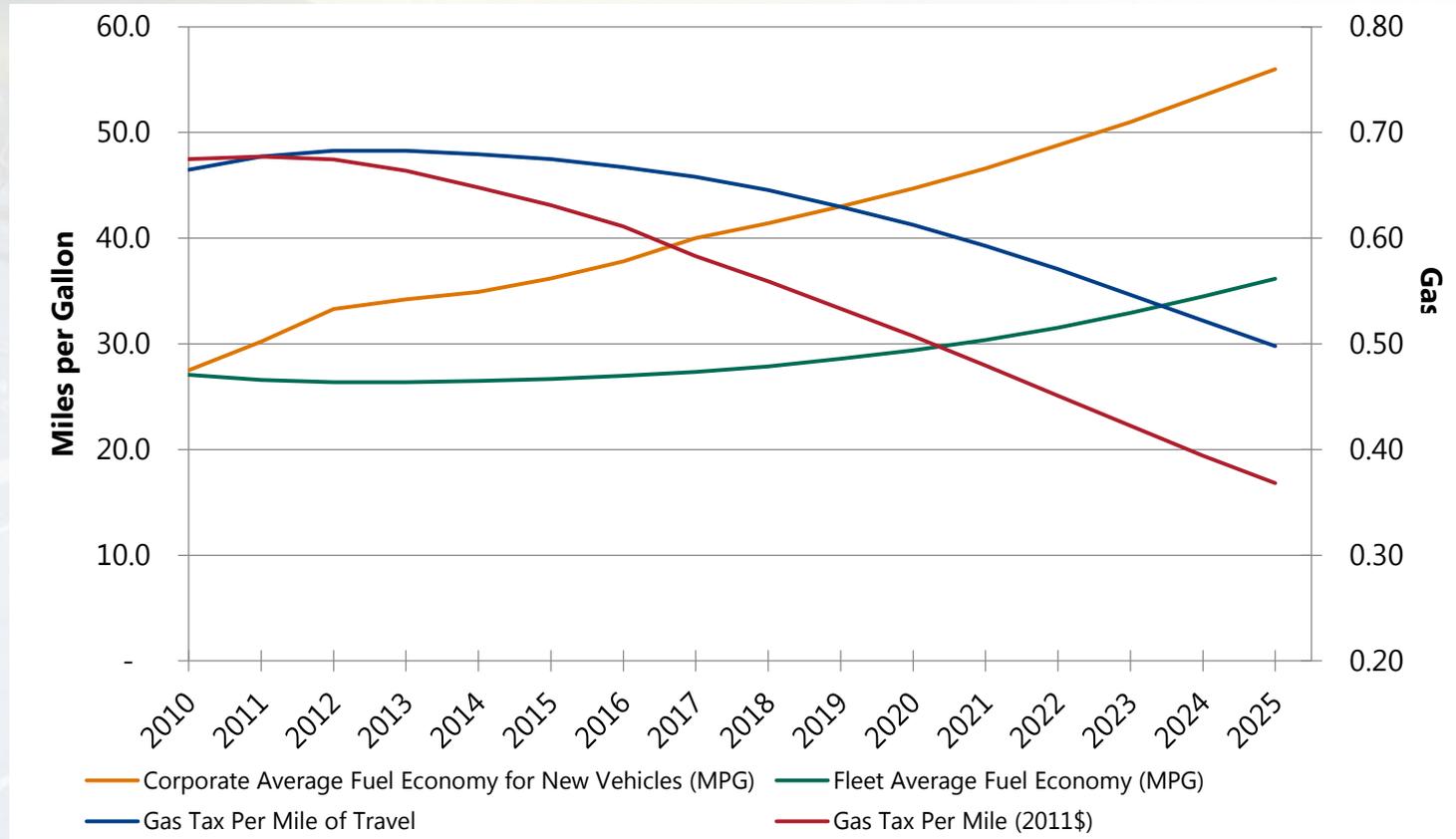
Inflation Indexed Fuel Tax



Increasing Fleet Fuel Economy Standards



Impact of Fuel Economy Standards on Effective Gas Tax Rate - 25% reduction in revenue per mile of travel



The New Truck Stop: Filling Up With Natural Gas for the Long Haul



Cummins/Peterbilt SuperTruck shows 54% improvement in fuel economy

100 Zero-Emission Commercial Vehicles Roll in California

Chart Introduces Improvements to LNG Truck Fuel System



Source: Fleet News Daily, March 20, 2013

What is happening in other states...

- 33 states have raised the gas tax over the last 20 years.
 - Arizona ranks toward the bottom
 - Average of surrounding states is 49.7 cents per gallon
- Transportation infrastructure is being discussed in other states
 - Mentioned in 14 "State of the State" addresses
- Nevada local option gas tax
 - Washoe County indexes federal, state and local gas taxes
 - Revenue stays in Washoe County

What is happening in other states (con't)...

- **Virginia:** HB 2313 (awaiting governor's signature)
 - Replaces cents-per-gallon gas tax with % tax
 - Larger dedicated portion of a boosted general sales tax
 - Creates a \$100 annual fee on hybrid, alternative fuel and electric vehicles
 - Estimated to raise \$880 million annually by 2018
- **Wyoming:** SB 69 (enacted)
 - Increases gas tax, from \$0.14 to \$0.24 per gallon
 - Estimated to raise \$70 million annually after it takes effect on July 1
 - State DOT gets 2/3 of revenues; localities get the rest
- **Maryland:** Transportation Investment Act of 2013
 - Reduces per-gallon gas tax but index it to inflation;
 - Levy % based wholesale tax on fuels;
 - index transit fares and issue new bonds

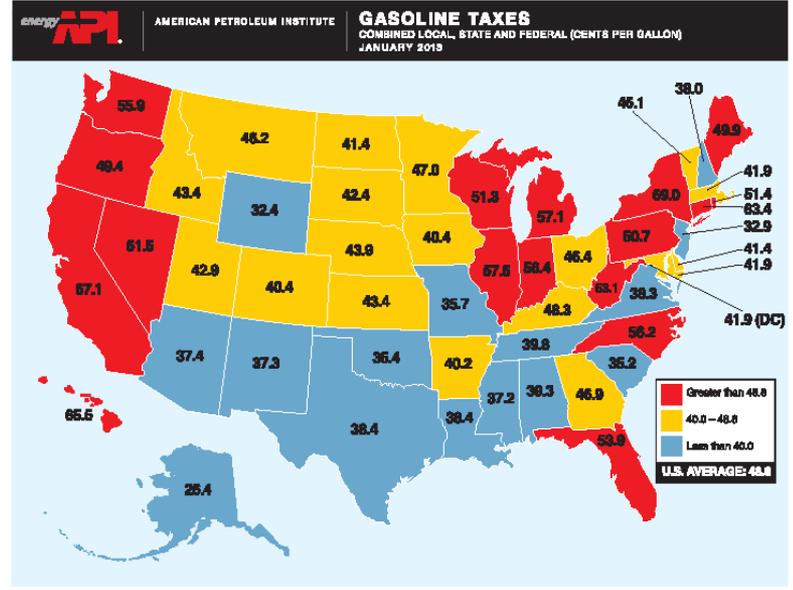
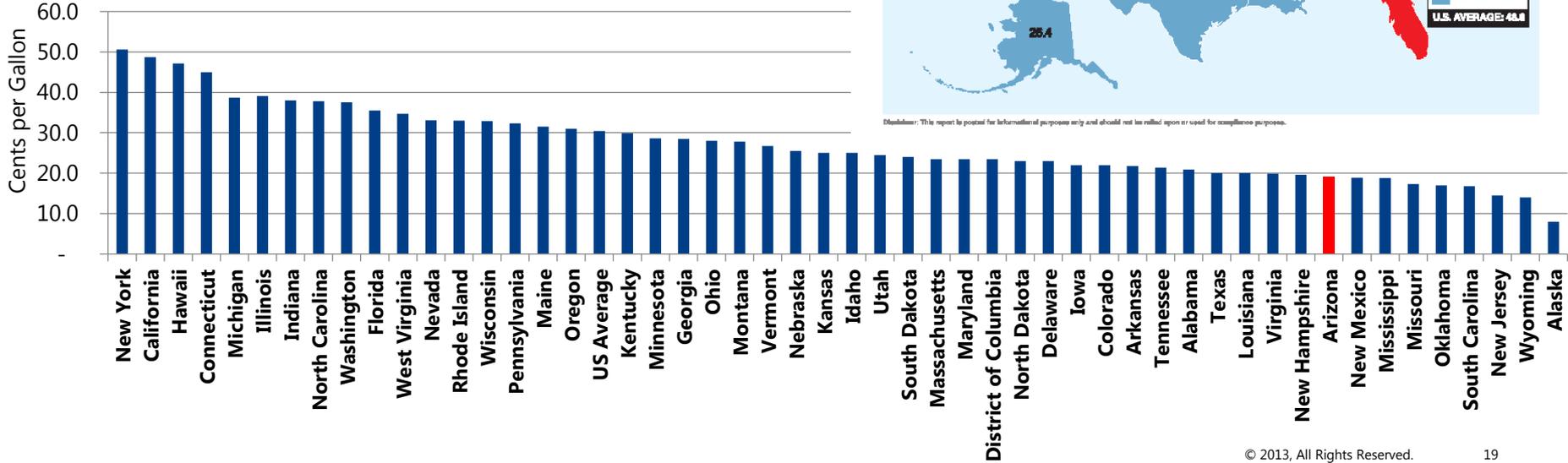
What is happening in other states (con't)...

- **New Hampshire:** HB 617
 - Raise gas tax; SB 152
 - Use casino revenues to fund roads and bridges
- **Oregon:** HB 2453 would require per-mile fees for high-efficiency vehicles after 2015
- **Washington:** \$10 billion, 10-year "Connecting Washington" legislative package with a range of taxes, fees and bonding

How Do Other States Fund Transportation Now?



State Gas Tax Rates

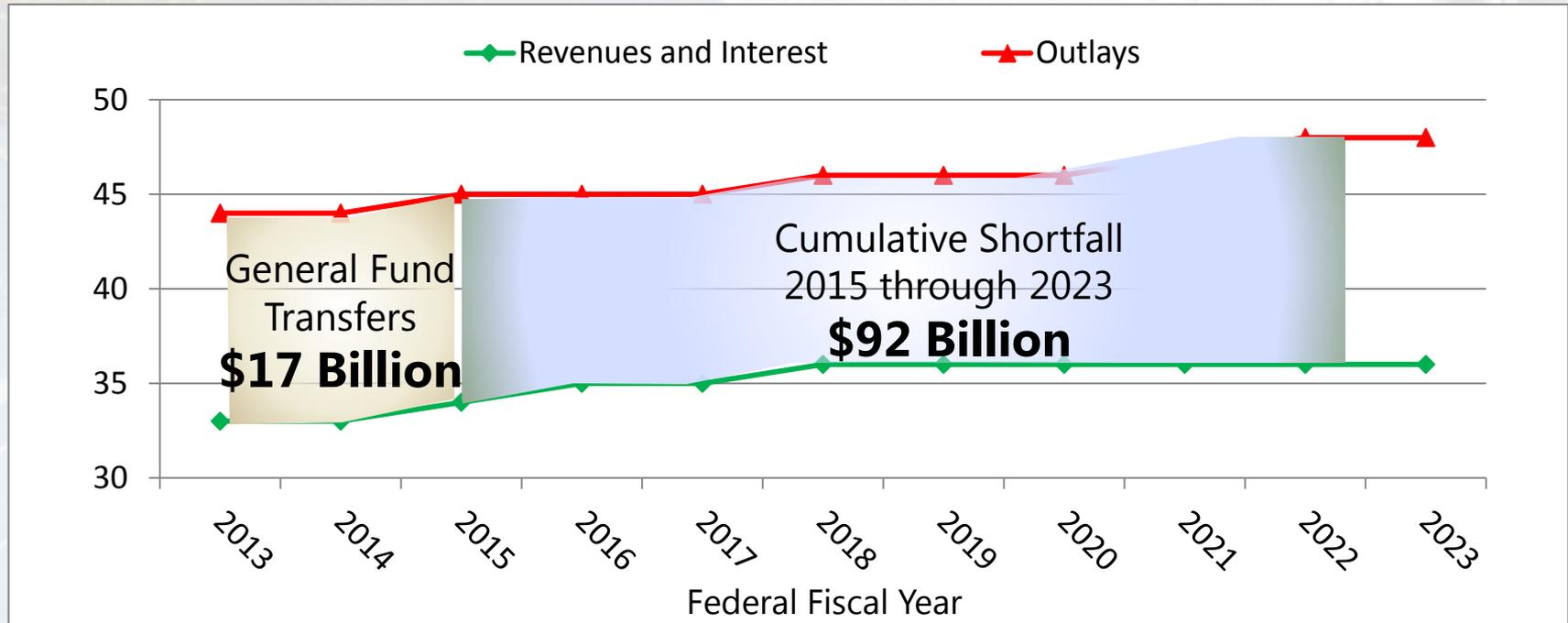


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How to Fix HURF.....

- **Immediate: STOP the diversions – return to statutory \$20 million**
- **Short-term: Raise the fuel tax and index for future inflation**
- **Long-term: Replace the fuel tax with alternative mechanism**

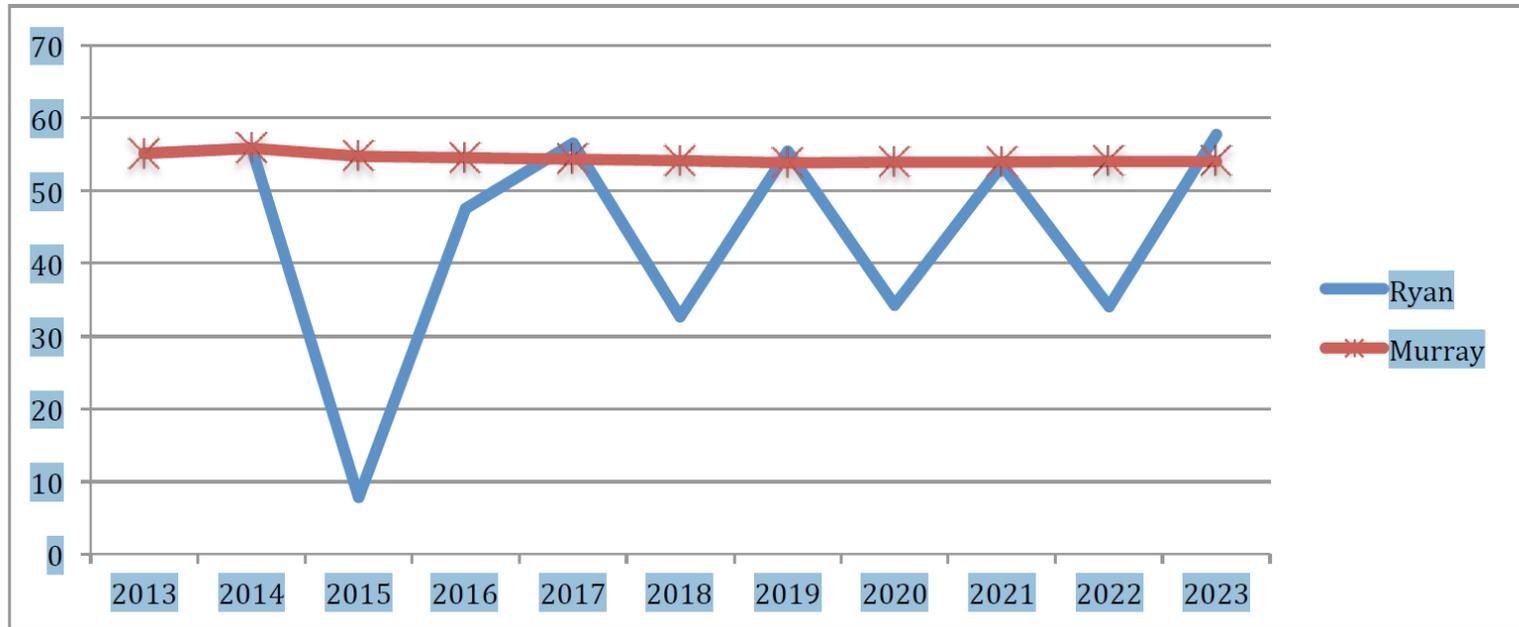
Federal Transportation Funding Outlook Bleak



Source: Congressional Budget Office, February 2013 Baseline

Dueling Federal Budgets: Implications for Transportation Funding

Ryan and Murray Mandatory Budget Authority Levels For Function 400 (Transportation)
(Billions of Dollars by Fiscal Year)



Source: Transportation Weekly, March 18, 2013.

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System Traffic Interchange, Mesa