

# TRANSPORTATION

## Funding Options for Southern Arizona Issue White Paper

PAG Economic Vitality Advisory Committee  
Infrastructure Task Force



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## **Introduction**

Transportation influences many facets of everyday life in Pima County. People use the network to drive, bike, walk, or ride the bus to school, work, shopping destinations, and/or social events. The network, used by the freight and logistics industries, also supports commerce in and out of the region.

The importance of transportation to the local economy often goes unrecognized. As transportation funding resources shrink, we need to consider how we will continue to fund a globally competitive transportation network at a level that provides mobility, livability, and sustainability for southern Arizona.

This white paper identifies current funding sources, transportation demands in our region, funding issues and potential transportation funding options.

## **Current Transportation Funding Sources**

Pima County residents, businesses and visitors pay for transportation in a variety of ways. Depending on the jurisdiction, our transportation infrastructure and operations are funded through one or more of the following traditional sources:

- Jurisdictional general fund
- Jurisdictional transit fare box
- Jurisdictional impact fees
- Jurisdictional bonding against a property tax assessment
- Local sales taxes (county or city/town) such as a construction sales tax
- Sub-jurisdictional improvement districts and community facilities districts
- Regional Transportation Authority (RTA) ½-cent excise tax
- State gas tax
- State vehicle license tax (VLT)
- State fees and permits
- Federal gas tax
- Airline passenger ticket tax
- General aviation fuel tax
- Passenger Facility Charge (PFC) fee
- State aviation fuel tax and registration fees

More information on each of these funding sources is provided in appendix “A”.

### ***What is an Excise Tax?***

An “excise tax” is a term that refers to taxation by either value or volume of a transaction. The RTA excise tax is commonly referred to as a sales tax by many because sales tax is how most people encounter the tax. However, there are several other types of transactions that are subject to the RTA tax that make it an excise tax.

### **Recognizing the Need for Enhanced Funding**

With extremely limited transportation dollars and restricted funding sources, it is important to remember that different people want or need different things (e.g., benefits, services, utility, etc.) from the transportation network. For example:

- Transit users may prefer more route coverage, longer operating hours and more frequent buses.
- Pedestrians may prefer more and safer sidewalks and shade.
- Bicycle commuters may prefer more and safer bike routes and having existing ones better maintained.
- Drivers may prefer shorter commute times and better maintained roads.
- Some users may prefer transportation improvements because improvements can stimulate economic development and job growth.
- Some users may advocate for improvements that are required by changes in the law, such as Americans with Disabilities Act (ADA) improvements or sign reflectivity.

Many people use multiple modes for their different commutes. For example, a commuter may drive to a Park-and-Ride lot, take an Express Bus downtown, and then walk the final four blocks to work. Creating a transportation network that provides for these multiple travel options likewise requires different types of project planning and implementation. For more information on how regional transportation projects are implemented, please see Appendix “B.”

In addition to considering needs based on travel mode, it is appropriate to also consider the different scales of transportation needs. Although transportation funding is a national issue, there are challenges in building consensus, particularly for any solution involving raising taxes. Despite these challenges, many states have implemented increases in their state gas taxes, imposed a sales tax on gas, or have crafted an alternative method to pay for transportation. Sometimes states have used a combination of these approaches. See Appendix “C” for details on what some other states have done.

Within Arizona, the transportation needs in Phoenix, Tucson and rural Arizona are very different. These varying needs create challenges to building consensus on the development and use of transportation funding sources. For example, voters of Maricopa County implemented a half-cent transportation sales tax a full 20 years before voters of Pima County did and chose to invest heavily in freeways. The shifting of regional travel from the arterial streets to freeways dramatically reduced the burden on local governments for roadway expansion improvements throughout the Phoenix metropolitan area.

The table below, from the Pima Association of Governments' 2045 Regional Mobility and Accessibility Plan, outlines funding gaps identified in 2015 as the long-range plan was developed. Available funding for regionally significant projects through 2045 was estimated to be \$13.8 billion while total anticipated transportation needs exceeded this estimate by \$15.2 billion. To cover this gap, anticipated revenues would need to be increased by 110 percent to meet the total \$29 billion in identified transportation projects and programs. Over time, such an enormous shortfall can result in poorly maintained roads, over-capacity conditions, minimal transit services and, in turn, a stifling effect on economic development.

<b>Draft 2045 RMAP Funded and Unfunded Projects and Programs*</b>			
<b>Draft 2045 Regional Mobility and Accessibility Plan (RMAP) Components</b>	<b>Total (Billions)</b>	<b>Projects and Programs <u>with</u> Identified Funding (Billions)</b>	<b>Projects and Programs <u>without</u> Identified Funding (Billions)</b>
Regional Freeways and Parkways	\$6.2	\$2.3 (37%)	\$3.9 (63%)
Regional Arterials and Collectors	\$5.4	\$2.7 (50%)	\$2.7 (50%)
Pavement Preservation	\$3.6	\$3.2 (89%)	\$0.4 (11%)
Bicycle and Pedestrian Elements	\$1.0	\$0.6 (60%)	\$0.4 (40%)
Regional Technology, Safety and Environmental Programs and Projects	\$2.0	\$0.6 (30%)	\$1.4 (70%)
Bus Rapid Transit, Streetcar, Light Rail, and Intercity Rail	\$7.2	\$1.3 (18%)	\$5.9 (82%)
Transit Management, Operations, and Maintenance	\$3.8	\$3.1 (82%)	\$0.7 (18%)
<b>Total</b>	<b>\$29.0</b>	<b>\$13.8 (48%)</b>	<b>\$15.2 (52%)</b>

\*Excludes jurisdictional programs and projects on the local street network.

## Identifying the Problem

The inability of transportation funding to keep up with transportation needs is a critical economic problem. Decreasing gas tax revenues, combined with rising costs of aging infrastructure replacement, create an unsustainable outlook in maintaining and/or advancing our transportation network. Factors contributing to the funding problem include the following:

- Both the Arizona and federal gas tax rates are fixed on a per gallon basis and, therefore, gas tax revenues are not responsive to inflation. As the cost of transportation infrastructure projects increases, the amount of revenue generated from the gas tax remains static.
- The state gas tax has been at \$0.18 cents a gallon since 1991. Gas tax revenues collected in 1991 equaled about \$79 per capita compared to collections today of \$70 per capita. When adjusted for inflation, this decline is much steeper. It is not reasonable to expect that local, regional and state facilities can be maintained or expanded with no adjustment to the gas tax rate in over 24 years.
- As consumers increasingly drive more fuel efficient cars and trucks, hybrids or alternative fuel vehicles, gas tax revenues decline. At the same time, the wear and tear on roadways caused by these vehicles remains the same. For example, gas tax collections on a 2014 Ford Taurus were \$14 for every 1,000 miles, down from \$17 on a 1992 Ford Taurus. However, the value of \$14 when adjusted for inflation in 1992 dollars is only \$8.30, or less than half of what was collected in 1992.
- Because the gas tax is based on sales of traditional fuels, users of the transportation system who use alternate transportation options (e.g., bicycles, hybrid and electric cars, etc.) pay far less into the Highway User Revenue Fund (HURF) than those who use traditional fuels. Additionally, a number of studies have shown that younger generations are driving less than their predecessors. If this trend continues, the decline in the gas taxes can be expected to continue.
- While the reduction of vehicle miles traveled is good for the environment and reduces congestion, alternate modes of transportation, such as walking or riding a bicycle, do not contribute to the HURF. Also, while transit has some fare box recovery, it is subsidized by fuel taxes and often runs on the same street network as passenger vehicles. For example, fixed-route bus service fares in Tucson, and peer communities in the western U.S., typically recover in the range of 15

percent to 25 percent of total operating costs<sup>1</sup>. The remainder is funded with federal grants and local general fund monies.

- Potential revenues from sales taxes dedicated to transportation also are reduced by untaxed or under-taxed Internet sales, estimated to be over 12 percent of taxable sales and climbing. Changes in tax policy, such as the modifications to the construction sales tax implemented in January 2015, also can have a negative impact on transportation revenues generated. Such an impact can occur when the region in which sales taxes are collected and distributed shifts.
- In recent years, state legislative priorities have shifted or diverted transportation funding to non-transportation uses. During the 10-year period from 2005 to 2014, nearly 10% of HURF revenues (\$1.25 billion out of a \$12.6 billion total) and over the last 15 years, \$112 million from the State Aviation Fund were diverted to the Department of Public Safety, the Motor Vehicle Division or to the General Fund. This number does not include additional funds shifted from the Vehicle License Tax to the general fund prior to VLT distribution to the HURF.

### **Transportation Funding Options**

Transportation solutions can, and should, be addressed at every level of government because such decisions (at any level of government) have profound impacts throughout the transportation system. Our transportation system links every town, city and state, and frequently crosses jurisdictional and state boundaries. Yet, although Arizona is dependent on the transportation infrastructure in neighboring states, it doesn't have the funding or the authority to address infrastructure outside of Arizona. Federal solutions are therefore necessary to address national mobility. Similarly, Pima County is dependent on the State of Arizona to implement statewide transportation solutions that will address local transportation needs.

This paper will briefly discuss options at the federal, state and regional levels. What follows is not intended to be an exhaustive list of solutions, but rather, a brief summary of some of the funding alternatives that are available. The options are presented in groups of similar ideas. The region may consider pursuing any number of the multiple ideas presented below or develop hybrid options, taking elements from any of the ideas for which there is consensus. The list is not intended to be an endorsement for any one option, but is intended to stimulate a regional discussion on addressing the issues in the long term.

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<sup>1</sup> <http://www.ntdprogram.gov/ntdprogram/data.htm>

Please note that if unrestricted funds are available, at any level of government, the option exists to prioritize those unrestricted funds for transportation projects. Historically, however, transportation has not fared well compared to other local priorities such as police, fire, education and social needs. For this reason, this paper focuses on identifying dedicated funding sources to enhance existing local funds to address transportation needs.

The options listed below are for discussion purposes only and may include some concepts that have not been specifically endorsed by the PAG Regional Council and/or any of the PAG member jurisdictions.

### **Possible Federal and State Options**

*Raise the Federal Gas Tax* – Although not sustainable over the long term because of 1) increased fuel efficiency, 2) greater numbers of alternate fuel vehicles and 3) more trips made on bicycle or foot, raising the gas tax is a way to use an existing funding mechanism to temporarily meet national transportation funding needs until decision-makers agree to a longer term, more sustainable, mechanism. The federal gas tax was last raised in 1993, when it was increased to 18.4 cents per gallon. To keep pace with inflation and have the same buying power in 2015 as the tax had in 1993, the tax would need to be raised by 11.6 cents to a total of 30 cents per gallon.

*Certainty in Federal Funding Availability* – Federal transportation funding is guided by federal surface transportation bills. The most recent bill was passed by Congress in December 2015 and is called the “Fixing America’s Surface Transportation Act” or FAST Act. The FAST Act is a five-year bill that expires on Sept. 30, 2020. It continues to apportion federal funds to the states based on the previous year’s share of available funding, a practice started with the first extension of SAFETEA-LU in 2009. This is in contrast to using current year data, such as federal aid lane mileage or contributions to the Highway Trust Fund, to determine each state’s apportionment of federal funds. Thus, for the duration of the FAST Act, a state’s share of federal funding is based on 2008 data which may no longer accurately reflect the transportation needs of rapidly growing states. In addition, the FAST Act continues to rely on federal General Fund transfers to keep the Highway Trust Fund solvent. Therefore, the gap between gas tax collections and transportation expenditures continues to grow and, in 2020, Congress will have a larger transportation funding gap to fill than the one they faced in 2015. While the FAST Act provides certainty in the near- and mid- terms, the long-term certainty of federal funding availability remains unaddressed.

Vehicle Miles Traveled Tax – This tax could be enacted at either the state or national level and would entail the collection of a tax based on the miles traveled by an individual vehicle. Although this tax could be implemented through self-reporting, the technology exists to have vehicle transponders automatically transmit the miles traveled and the tax due. Either approach could be viable. However, questions about privacy and collection methods need to be addressed before this option is more widely embraced.

Raise the State Gas Tax – Similar to the federal gas tax, the state gas tax has not changed in over two decades. In 1991, the state gas tax was increased to 18.0 cents per gallon and has remained at that level since. The tax would need to be raised by 13.0 cents to a total of 31 cents a gallon to keep pace with inflation and to have the same buying power in 2015 as the tax had in 1991.

Raise the Passenger Facility Charge (PFC) Cap – The PFC is currently capped at \$4.50 per flight segment and has not changed in over 15 years. Due to inflation, the buying power of the PFC is about half of what it was the last time it was raised in 2000. Airports have suggested raising it up to \$8.50.

Raise the State Vehicle-Related Fees – This option would raise state vehicle-related fees to close identified funding gaps. For example, by increasing registration and motor carrier fees by 25 percent (\$39.5M and \$9.3M respectively) and vehicle license fees by 10 percent (\$2.3M), that could generate over \$50 million annually for transportation in Arizona. Additional options that can be pursued at the federal or state level include, but may not be limited to, indexing the gas tax, expansion of the use of toll roads or High Occupancy Toll (HOT) lanes, implementation of electric charging station fees, or an increase in registration fees to include hybrid and alternative fuel vehicles.

County Option Fuel Tax – A county option fuel tax would require state legislation authorizing counties to levy such a tax. This solution would allow each county to individually assess their transportation needs and craft a fuel tax approach that meets those needs, if voters or local leaders avail themselves of this option. Each county would be able to make their assessments and fuel tax decisions independent of actions taken in other counties.

The table below shows the impact in each county that a 1 cent county fuel tax would have on local transportation revenues, using actual HURF revenues in October 2015 as a reference point.

<b>County</b>	<b>Total HURF Receipts October 2015 (County + All Cities)</b>	<b>Gallons of Fuel Sold October 2015 (Gasoline + Diesel)</b>	<b>1 Cent Per Gallon Fuel Tax Yield</b>	<b>Percent Increase</b>
Apache	\$697,420.70	6,345,795	\$63,457.95	9.1%
Cochise	\$1,066,764.26	8,975,584	\$89,755.84	8.4%
Coconino	\$1,511,204.79	12,303,381	\$123,033.81	8.1%
Gila	\$499,685.47	4,045,294	\$40,452.94	8.1%
Graham	\$283,066.80	2,329,239	\$23,292.39	8.2%
Greenlee	\$102,478.23	1,150,274	\$11,502.74	11.2%
La Paz	\$450,511.57	5,043,257	\$50,432.57	11.2%
Maricopa	\$28,131,855.62	147,876,875	\$1,478,768.75	5.3%
Mohave	\$1,800,987.92	13,917,704	\$139,177.04	7.7%
Navajo	\$1,073,982.53	8,258,290	\$82,582.90	7.7%
Pima	\$7,651,092.40	42,612,835	\$426,128.35	5.6%
Pinal	\$2,520,741.36	15,885,534	\$158,855.34	6.3%
Santa Cruz	\$419,121.92	3,300,669	\$33,006.69	7.9%
Yavapai	\$1,715,022.98	12,467,848	\$124,678.48	7.3%
Yuma	\$1,586,063.01	11,706,727	\$117,067.27	7.4%

### **Possible Regional Options**

Maintain the Status Quo – This strategy entails waiting for state or federal action to either increase the gas tax or replace or supplement it with other funding mechanisms. To maintain the status quo, voter approval will be needed to extend and continue the ½-cent excise tax that funds the RTA plan and any future amendments. Jurisdictions can continue to propose bond packages (funded by property tax collections) to implement voter-approved projects and continue, or increase, jurisdictional-based funding such as impact fees, construction sales tax and general funds derived from property taxes

The obvious drawback to this approach is that without adequate maintenance, the infrastructure would continue to degrade until the public and community leaders recognize the problem and support additional investment mechanisms. In fact, repairs become considerably more expensive the longer maintenance is deferred, and the public will experience significant time lags between project approval and implementation due to inadequate funding. Such a lag could result in lost economic opportunities.

Engage in State and Federal Discussions – Currently, no single solution has won consensus from decision makers for addressing transportation funding sustainability at either the state or federal level. However, it is important to maintain a dialogue that informs the public and decision makers about the economic importance of transportation, the time frame for making transportation improvements, and the higher long-term costs of not maintaining an efficient multimodal transportation network.

Levy a Countywide Half-cent Sales Tax – Arizona state statutes (ARS §43-6103) authorize counties with a population of less than 1.5 million to implement a half-cent sales tax for countywide purposes, including transportation. For all Arizona counties except for Maricopa County, Pima County is the only one to have not implemented it, thus making sales taxes in the Tucson region among the lowest in the state (see Appendix “D”). Implementation of such a sales tax would require unanimous approval from the Pima County Board of Supervisors and would be separate and distinct from the existing RTA half-cent excise tax. Such a sales tax could generate \$70 million annually in revenues for county-wide purposes.

Increase the RTA Plan Excise Tax – Continuing the RTA plan is discussed under the “status quo” section. However, another option the region may want to consider is working with the Arizona Legislature to make the necessary changes to the RTA-enabling legislation to increase the amount of the excise tax above the current ½ cent. By increasing the tax and the transportation funding generated by it, the voters of Pima County could have bigger and more innovative project options available to them during the ballot process.

Levy a Property Tax for Transportation – Similar to the current practice of obtaining voter approval for the sale of bonds that would be paid back with a temporary increase in property taxes, a transportation property tax could be a permanent tax increase restricted for pavement preservation uses only. The drawback to this approach is that adjustments to the assessment’s statutory limit may need to be addressed.

A property tax for transportation purposes would be more cost-effective and timely than bonding because it would fund transportation improvements as they are needed. Such an approach also has the advantage of being a stable funding source relying on existing collection mechanisms. Finally, pavement preservation work can occur on a “pay-as-you-go” basis allowing for a greater range of road treatments, including treatments that result in the lowest lifecycle cost.

A countywide primary property tax of up to 25 cents per \$100 assessed valuation is authorized now under ARS §28-6712, tax levies for county roads, but has not been

implemented by Pima County. Based upon calculations from 2015 Pima County Assessor's Office records, such a tax could raise \$19 million annually for transportation projects in Pima County.

*Create a Regional Transportation Utility* – This option would entail creation of a utility that would be funded by a fee that could be added to a resident's existing utility bill (e.g., water, sewer or some other bill).

In jurisdictions that have successfully implemented transportation utility fees, the size of the fee is based on the amount of anticipated trip generation for a particular land use. Non-residential establishments pay a rate based on their square footage and the anticipated level of traffic generated, with low traffic generators (such as a furniture store or an industrial park) paying a lower rate than high traffic generators (such as a fast food restaurant or a convenience store). The rate for a residential unit is usually a flat rate based on an estimated number of one-way trips generated by a housing unit each weekday.

Funding collected in this way could be returned to the jurisdiction from which it was collected or distributed through the existing PAG process. Some jurisdictions use the funds collected by a transportation utility to maintain existing infrastructure. However, the ways that these funds can be used are only limited by public support. So, eligible projects could involve all modes including transit. This option may require clarifying or enabling legislation.

*Create a Special District* – This option would entail the creation of a special district, the revenues of which would be dedicated to a specific purpose as identified by the enabling legislation. Special districts are exempt from the "gift clause" which may increase public/private partnership opportunities. The Arizona constitution allows districts to assess and collect taxes as a secondary property tax of up to 25 cents per \$100 of the assessed valuation. Depending on how the boundaries of the special district are drawn, such a secondary property tax could generate between \$16 million and \$18 million per year.

One example of this could be the establishment of a Special District for High Capacity Transit, the revenues of which would be dedicated to the development and expansion of high-capacity transit options, such as the Sun Link streetcar line or a new Bus Rapid Transit system. As with the previous option, this option will require legislative enabling authority to implement.

Another example could be the establishment of a road maintenance district, the revenues of which would be dedicated to pavement preservation and the associated sidewalk and ramp work necessitated by the ADA. The funding collected could be distributed back to the jurisdiction(s) from which it was collected. Depending on how the enabling legislation is crafted, oversight of the district could fall to an existing regional organization or something new could be created.

*Additional use of Public-Private Partnerships* – Legislation passed in 2009 allows ADOT to enter into P3 agreements. A public-private partnership (P3) is an alternate procurement method where ***significant design, construction, financial, operational risk (or some combination thereof) on a project, is transferred*** from the public sector to the private sector. A P3 procurement might be a method of accelerating a project. It's important to note that private sector monies will need to be repaid, so not all projects will lend themselves to private investment. Private capital could be repaid by new revenue sources such as tolls or fees, or from existing funding. P3s are a financing tool, not a funding tool.

#### **Conclusion:**

Transportation funding that is based largely on the amount of gasoline sold today is not sustainable in the long term, and both the state and federal governments will eventually need to address this issue. However, it is clear that the region has an opportunity to determine how to be financially self-sufficient in implementing a safe and efficient multimodal transportation network using locally approved revenue sources. Moreover, the efficient movement of people and goods also fosters economic development and expansion. As we compete globally for quality jobs and prosperity, we must ensure that our network helps to retain and attract major employers in high-wage industries, increases trade and commerce, provides access to abundant employment opportunities, and enhances overall quality of life.

## Appendix “A” Additional Information on Funding Sources

**General Fund:** It is possible for transportation-related expenditures to be paid for from non-restricted general fund monies. This funding is programmed by the elected body of the jurisdiction based on its prioritization of needs.

**Impact Fees/Construction Sales Tax:** Some jurisdictions set aside a portion of impact fees or construction sales tax(es) for transportation-related improvements.

SOURCES OF TRANSPORTATION REVENUES FOR LOCAL JURISDICTIONS			Pima County	Marana	Oro Valley	Sahuarita	South Tucson	Tucson
Direct User Taxes and Fees		Transit Fares			✓			✓
		Local HURF distributions	✓	✓	✓	✓	✓	✓
Indirect Taxes and Fees	Property Taxes and Assessments	Primary Property Taxes	X	X	✓	X	X	✓
		Secondary Property Taxes and GO Bonds	✓	X	X	X	X	✓
		Improvement Districts	✓	✓	✓	✓	✓	✓
		Community Facilities Districts	X	✓	X	✓	X	X
		Development Impact Fees	✓	✓	✓	X		✓
		Private Contributions and Exactions	✓	✓	✓	✓	✓	✓
	Sales Taxes	Municipal Sales Taxes for Transportation	X	X	X	X	X	X
		Regional Transportation Sales Taxes	✓	✓	✓	✓	✓	✓
		Municipal Construction Sales Tax		✓	✓	✓	X	X

✓	Authorized and used
X	Authorized but not used
	Not authorized, not applicable, or impractical

**Bonding - Property Assessment:** It is important to remember that bonds are not new revenue but a financing mechanism to borrow funding upfront for a project and pay back over time using a dedicated funding source. Currently, voters in at least one jurisdiction in Pima County have approved road bonds to be paid back by an increase in property taxes. There are multiple types of bonds, but the funding used for the repayment of those bonds is already discussed within this section.

**Improvement Districts and Community Facilities Districts:** Arizona Revised Statutes allow for the formation of a sub-jurisdictional taxing district. Such districts can be a means of obtaining community funding for public works, services, improvements and development. Funding is used for building parks,

roadways, sewers, water lines, storm drains, signage, street lights, landscaping and related improvements.

**Regional Transportation Authority (RTA):** In 2006, voters in Pima County approved a ½-cent excise tax to pay for transportation projects identified in, or consistent with, the accompanying RTA plan.

**State Gas Tax:** Arizona collects eighteen cents (\$0.18) per gallon in gas tax. State statutes control the distribution of those funds. The gas tax is deposited into the State Highway User Revenue Fund (HURF). A portion of the HURF goes directly to cities, towns and counties for local and regional transportation purposes while the remainder goes into the State Highway Fund (SHF) for use on the state system and other roadways of regional significance. More information can be found here:

<http://azdot.gov/about/FinancialManagementServices/transportation-funding>

**State Vehicle License Tax (VLT):** Every year the state assesses a tax based on the value of a resident's vehicle. The VLT is based on an assessed value of 60 percent of the manufacturer's base retail price reduced by 16.25 percent for each year since the vehicle was first registered. Revenue generated by the VLT is distributed based on state statutes, with approximately 44.99 percent of the VLT collected going into the HURF and distributed as described above.

**State Fees and Permits:** The Arizona Department of Transportation charges for numerous fees and permits for private and commercial activities, including drivers' license fees and motor carrier fees. More information can be found here:

<http://azdot.gov/mvd/VehicleServices/Title/overview>

**Federal Gas Tax:** The federal government collects eighteen and four-tenth cents (\$0.184) per gallon in gas tax. Federal legislation controls the distribution of those funds. The gas tax collected is deposited in the Federal Highway Trust Fund (HTF).

## **Appendix “B”: Transportation Implementation and How Transportation Dollars are Spent**

Each funding source typically has different use and eligibility requirements. The process and eligibility for funding is outlined in the legislation that provides the legal authority to collect the specific type of funding.

Most transportation projects can be categorized into two types of projects: maintaining existing infrastructure and services, or expanding infrastructure and services.

Depending on the size and nature of the project, the process by which the project or service is implemented can vary significantly. For example, implementation of a small maintenance project on a neighborhood street using jurisdictional funds is far simpler than developing a new state route using federal funding. The matrix on the next page is intended to provide a general idea of the process, but again the funding process can vary widely.

	<b>Local: City, Town, or County</b>	<b>Regional: PAG or RTA</b>	<b>State: State routes or funding from the state</b>	<b>Federal: Interstate routes or federal funding</b>
Project approval	Mayor & Council or Board of Supervisors	Regional Council or RTA Board	Arizona State Transportation Board	A local, regional and state body AND either a FHWA or FTA official, depending on project location and type
Project Identification	<ul style="list-style-type: none"> <li>• Area studies</li> <li>• Corridor studies</li> <li>• Transit studies</li> <li>• Maintenance schedules</li> </ul>	<ul style="list-style-type: none"> <li>• Regional corridor studies</li> <li>• Regional transit assessment</li> <li>• Jurisdictional plans &amp; studies</li> </ul>	<ul style="list-style-type: none"> <li>• Regional plans and studies</li> </ul>	<ul style="list-style-type: none"> <li>• Regional plans and studies</li> </ul>
Planning	<ul style="list-style-type: none"> <li>• Area plans</li> <li>• Neighborhood plans</li> <li>• Major Streets and Routes plan</li> <li>• Transit plans</li> <li>• Maintenance plan</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Transportation Authority (RTA) plan</li> <li>• PAG Transportation Improvement Program (TIP)</li> <li>• PAG Regional Mobility and Accessibility Plan (RMAP)</li> </ul>	<ul style="list-style-type: none"> <li>• State Transportation Improvement Program (STIP)</li> <li>• State Long-Range Transportation Plan (SRTP)</li> <li>• PAG Transportation Improvement Program (TIP)</li> <li>• PAG Regional Mobility and Accessibility Plan (RMAP)</li> </ul>	<ul style="list-style-type: none"> <li>• State Transportation Improvement Program (STIP)</li> <li>• State Long-Range Transportation Plan (SRTP)</li> <li>• PAG Transportation Improvement Program (TIP)</li> <li>• PAG Regional Mobility and Accessibility Plan (RMAP)</li> </ul>
Right-of-Way acquisition	Depends on project size and type of funding	RTA funded projects follow RTA procedures. PAG funding projects – see state and federal to the right.	Follows state procedures, MAY need to follow the federal Relocation Act.	MUST follow the federal Relocation Act.
Design and Environmental	Depends on project size and type of funding	RTA funded projects follow RTA procedures and standards. PAG funding projects – see state and federal to the right.	Follows AASHTO design guidelines, MAY need: <ul style="list-style-type: none"> <li>• Design concept report</li> <li>• Environmental clearance (NEPA).</li> </ul>	Follows AASHTO design guidelines, MUST have a: <ul style="list-style-type: none"> <li>• Design concept report</li> <li>• Environmental clearance (NEPA).</li> </ul>
Construction	Some projects can use jurisdictional staff and follow jurisdictional procurement guidelines used for hiring contractors.	RTA funded projects follow RTA procedures. PAG funding projects – see state and federal to the right.	Follows state procurement guidelines.	Follows state procurement guidelines, with additional adherence to federal laws such as Davis-Bacon and Buy America.

## APPENDIX “C” What other States are Doing

### Overview

A number of states have recognized the steadily decreasing ability of static, per gallon fuel taxes to address transportation needs. Some states have implemented a more variable and dynamic approach to gas taxes. Rather than an unchanging cents-per-gallon rate, these states have gas taxes that provide more sustainable transportation revenue through a “variable-rate” design that allows the tax rate to gradually rise alongside gas prices, the general inflation rate in the economy, vehicle fuel-efficiency, or other relevant factors.

Since 2013, five states (Maryland, Pennsylvania, Rhode Island, Utah and Virginia) and the District of Columbia have overhauled their static excise tax on gas and converted to a variable tax rate structure. Today, 19 states have a variable-rate fuel tax, and over half of all Americans live in such states. Some of these states have a base excise tax, with a second variable rate placed on top of the flat rate.

<b>Gas tax varies based on:</b>	<b>Participating states</b>
Tax varies with gas prices	CA, CT, DC, KY, NY, PA, VT, VA, WV
Tax varies with Consumer Price Index	FL, RI
Tax varies with gas prices and CPI	MD, UT
Tax varies with population and energy prices	NC
Tax varies with vehicle fuel-efficiency and CPI	GA
Tax varies with gas prices and Legislature’s spending decisions	NE
Variable-rate only because general sales tax applies to gas	HI, IL, IN, MI

Even states with a flat-rate excise tax on fuel recognize the need for increased transportation revenues. In the last five years, nine such states have raised the rate on their excise fuel taxes (Oregon, Maine, Minnesota, Massachusetts, Wyoming, New Hampshire, Iowa, Idaho and South Dakota).

In addition to statewide solutions and implementation, some states recognize unique local and regional factors may require a local or regional approach to fuel tax rates. In such states, counties or other local entities are allowed to apply a sales or excise tax on fuel on top of the taxes applied by the state. Currently, seven states (Alabama, California, Florida, Georgia, Nevada, New York, and Oregon) allow for some local control over fuel tax rates in their cities or counties.

Below are three case studies from states that have recently converted their excise tax into a variable rate tax on fuel. These states include Virginia, Pennsylvania and Utah.

### Virginia

In Virginia, the reform to the gas tax was championed by then Gov. Bob McDonnell. In order to gain support in the Legislature, the governor’s proposal needed to adjust and finesse a number of moving parts. By converting the cents-per-gallon excise tax into a percentage based tax on the wholesale price of gasoline, the effective cents-per-gallon was actually lowered. To offset this decrease, the statewide

general sales tax was increased from 5 percent to 5.3 percent (or as high as 6 percent in the more heavily populated areas of northern and southeastern Virginia). The areas of northern Virginia already paid an extra 2.1 percent in gas tax for local roads, but the new law levied that additional 2.1 percent in localities in southeast Virginia, as well.

### Pennsylvania

Pennsylvania's reform of the gas tax was part of a larger, comprehensive overhaul of transportation financing. The increases in taxes and fees are to be phased in over a five-year period. Before the reform, Pennsylvania had both a state excise tax on fuel as well as an Oil Company Franchise Tax (OCFT) that was collected at the wholesale level. The reform eliminated the excise tax and increased the OCFT to keep revenue collections in the first year revenue neutral. However, the formula had been capped in 1983, limiting the taxable amount of the wholesale price of fuel. The new reform gradually raises and eventually eliminates the cap. By the end of the five-year period, a "floor" price will be established to protect the state from any sharp decline in fuel price. In addition to this major reform, fees were increased for vehicle registration, driver's licenses and moving violations. This bill also altered existing funding formulas in the state, providing more funding for multimodal projects.

### Utah

The Utah Transportation Coalition, composed of both private and public sector stakeholders, championed the recent transportation reforms in Utah. The final bill, as passed by the Legislature and signed by the governor, modified the motor fuel tax from 24.5 cents per gallon to a 12 percent tax with a \$2.45 rack price floor. The modification was the equivalent of a 5 cent motor fuel tax increase which will be distributed according to the existing 70/30 split (70% to the state, 30% to cities and counties according to weighted lane mileage and population). Meanwhile, the bill also authorized each county to impose a 0.25 percent general sales tax for transportation after voter approval. In order for cities and towns to receive the revenue, then counties must impose the tax and voters must approve the entire quarter cent. The Tax Commission would then need 90 days to prepare to collect and remit the tax and would start collecting the tax on the first day of the subsequent calendar quarter after the 90-day period.

## APPENDIX “D”

### Sales Tax Rates around Arizona

Based upon Arizona Department of Revenue tax rate listings, the following table displays the total sales tax rate for jurisdictions in Pima County, for each county in Arizona, and for Arizona cities and towns with populations greater than 50,000.

County	Jurisdiction	State Sales Tax	County Sales Tax	City Sales Tax	Total Sales Tax	Dedicated to Trans.*
<b>Pima</b>		<b>5.6%</b>	<b>0.5%</b>		<b>6.1%</b>	<b>0.5%</b>
	<i>Marana</i>	5.6%	0.5%	2.5%	8.6%	0.5%**
	<i>Oro Valley</i>	5.6%	0.5%	2.5%	8.6%	0.5%
	<i>Sahuarita</i>	5.6%	0.5%	2.0%	8.1%	0.5%
	<i>South Tucson</i>	5.6%	0.5%	4.5%	10.6%	0.5%
	<i>Tucson</i>	5.6%	0.5%	2.0%	8.1%	0.5%
<b>Maricopa</b>		<b>5.6%</b>	<b>0.7%</b>		<b>6.3%</b>	<b>0.5%</b>
	<i>Avondale</i>	5.6%	0.7%	2.5%	8.8%	1.0%†
	<i>Buckeye</i>	5.6%	0.7%	3.0%	9.3%	0.5%
	<i>Chandler</i>	5.6%	0.7%	1.5%	7.8%	0.5%
	<i>Gilbert</i>	5.6%	0.7%	1.5%	7.8%	0.5%
	<i>Glendale</i>	5.6%	0.7%	2.9%	9.2%	1.0%
	<i>Goodyear</i>	5.6%	0.7%	2.5%	8.8%	0.5%
	<i>Mesa</i>	5.6%	0.7%	1.75%	8.05%	1.05%†
	<i>Peoria</i>	5.6%	0.7%	1.8%	8.1%	0.8%
	<i>Phoenix</i>	5.6%	0.7%	2.3%	8.6%	1.2%
	<i>Scottsdale</i>	5.6%	0.7%	1.65%	7.95%	0.7%
	<i>Surprise</i>	5.6%	0.7%	2.2%	8.5%	0.5%**
	<i>Tempe</i>	5.6%	0.7%	1.8%	8.1%	1.0%
<b>Coconino County</b>		<b>5.6%</b>	<b>1.3%</b>		<b>6.9%</b>	<b>0.3%</b>
	<i>Flagstaff</i>	5.6%	1.3%	2.051%	8.951%	1.05%
<b>Mohave County</b>		<b>5.6%</b>	<b>0.25%</b>		<b>5.85%</b>	<b>0.0%</b>
	<i>Lake Havasu</i>	5.6%	0.25%	2.0%	7.850%	0.0%
<b>Pinal County</b>		<b>5.6%</b>	<b>1.1%</b>		<b>6.7%</b>	<b>0.5%</b>
	<i>Casa Grande</i>	5.6%	1.1%	2.0%	8.7%	0.5%
<b>Yuma County</b>		<b>5.6%</b>	<b>1.112%</b>		<b>6.712%</b>	<b>0.0%</b>
	<i>Yuma</i>	5.6%	1.112%	1.7%	8.412%	0.0%
<b>Apache County</b>		<b>5.6%</b>	<b>0.5%</b>		<b>6.1%</b>	<b>0.0%</b>
<b>Cochise County</b>		<b>5.6%</b>	<b>0.5%</b>		<b>6.1%</b>	<b>0.0%</b>
<b>Gila County</b>		<b>5.6%</b>	<b>1.0%</b>		<b>6.6%</b>	<b>0.5%</b>
<b>Graham County</b>		<b>5.6%</b>	<b>1.0%</b>		<b>6.6%</b>	<b>0.0%</b>
<b>Greenlee County</b>		<b>5.6%</b>	<b>0.5%</b>		<b>6.1%</b>	<b>0.0%</b>
<b>La Paz County</b>		<b>5.6%</b>	<b>2.0%</b>		<b>7.6%</b>	<b>0.0%</b>
<b>Navajo County</b>		<b>5.6%</b>	<b>0.5%</b>		<b>6.1%</b>	<b>0.0%</b>
<b>Santa Cruz County</b>		<b>5.6%</b>	<b>1.0%</b>		<b>6.6%</b>	<b>0.0%</b>
<b>Yavapai County</b>		<b>5.6%</b>	<b>0.75%</b>		<b>6.35%</b>	<b>0.0%</b>

\*Based on the best information available at the time of publication

\*\*Revenues from only some taxable activities are dedicated to transportation

†Some portion of the sales tax is dedicated to specific, enumerated uses which include transportation