Arizona Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

Counties have authority to:

• Levy real property taxes.

• Form special districts for the following purposes: flood control, public health, libraries and jails. Creation of these districts is by voter approval.

• Levy personal property taxes for household goods with commercial usage and all units of personal property valued at $50,000 or more and may be adjusted based on inflation using the Employment Cost index. The most recent (2013) personal property value is $138,868.

• Levy a ½-cent sales tax on all items taxed by the state (excluding Maricopa County).

Counties do not have evident authority to:

• Levy any miscellaneous taxes not already stated, levy any license or permit taxes.

**Mandated/Authorized Transportation Services:**

• The county board of supervisors is charged with laying out, maintaining, controlling, and managing public roads, ferries and bridges under county jurisdiction.

• To fund these activities, the county commission may levy a sales tax which may be authorized for the above stated purposes, as well as contract debt and borrow money.

• Any bond issuance must be approved by referendum.

• The board of supervisors may enter into agreements with the federal government or other government subdivisions to maintain public roads. The board of supervisors is charged with regulating county roads.

• In addition to ground transportation, the board of supervisors may receive any land by purchase, lease, or gift for aviation fields. This power also authorizes the county to construct necessary buildings and facilities for the operation of an airport in the county, as well as to enter into agreements with municipalities and the state and federal government to operate airfields.

## **Funding Sources for County Transportation Projects:**

• The main funding source is the Arizona Highway User Revenue Fund (HURF), established in 1974 and administered by the Arizona Department of Transportation (ADOT). HURF contains gas tax, use fuel tax, vehicle registration fees, motor carrier tax, operational license fees, and 45 percent of the vehicle license tax.

In recent years, the State has swept monies out of HURF to fund state agencies, a total of $634.6 million since Fiscal Year 2009.

• Counties receive 19 percent of HURF revenue. In Fiscal Year 2013, counties received $206.9 million.

In addition to HURF, Counties may levy a general sales tax, capped between ¼-cent and ½-cent depending on population, dedicated to transportation. This is generally done through a regional transportation plan that includes the municipalities. Currently only four counties employ this option.

• The state is responsible for approximately 75 percent of the total capital expenditures for highway and mass transit programs, with the remaining 25 percent derived from local and federal sources.

• State Transportation Acceleration Needs (STAN) Account for funds needed to expedite approved transportation projects in Arizona. STAN Account monies are distributed in the following manner: 60 percent to Maricopa County, 16 percent to Pima County, 24 percent to all other counties. STAN Account monies are restricted to expenditures used for construction or reconstruction of freeways, state highways, bridges and interchanges contained in a county’s regional transportation plan or ADOT’s long-range statewide transportation plan. The STAN account has not been funded since 2007, and in 2009 a large majority of the balance was swept to the State General Fund.

• Municipal and Public Bonds are issued by state and local governments to finance transportation projects or other public works projects.

## **Challenges in Funding and Financing Transportation Projects:**

• Nearly two-thirds of Arizona’s population lives in metropolitan Phoenix. Arizona’s five established metropolitan areas Phoenix, Tucson, Yuma, Flagstaff, and Prescott, account for over 85 percent of the state’s population. Compared to other similarly-sized western states, Arizona’s population is much more highly concentrated. There are two fundamentally different sets of issues and challenges facing urban and rural Arizona – persistent challenges to rural transportation systems and evolving challenges to existing and emerging urban areas.

• Some of the greatest impacts are expected in the area of mobility. Without new investment, less than 40 percent of all motor vehicle travel will occur in free-flow conditions in 2025, compared to nearly three quarters of all motor vehicle travel in 2002.

• Local Transportation Assistance Fund (LTAF) contains monies from Arizona State Lottery Revenues and was distributed to local governments for transportation projects. The fund was permanently eliminated in 2013 by the Legislature and Governor Jan Brewer, who used the money to fill a $1.1 billion budget shortfall.

The gas tax, the main funding sources for HURF is losing purchasing power as revenues stay stagnant and road maintenance cost continue to grow. Adjusting for inflation, the 18-cent gas tax, set in 1990, that is deposited into HURF, is equivalent to less than 5-cents today.

## **Innovative Solutions to Funding and Financing Challenges:**