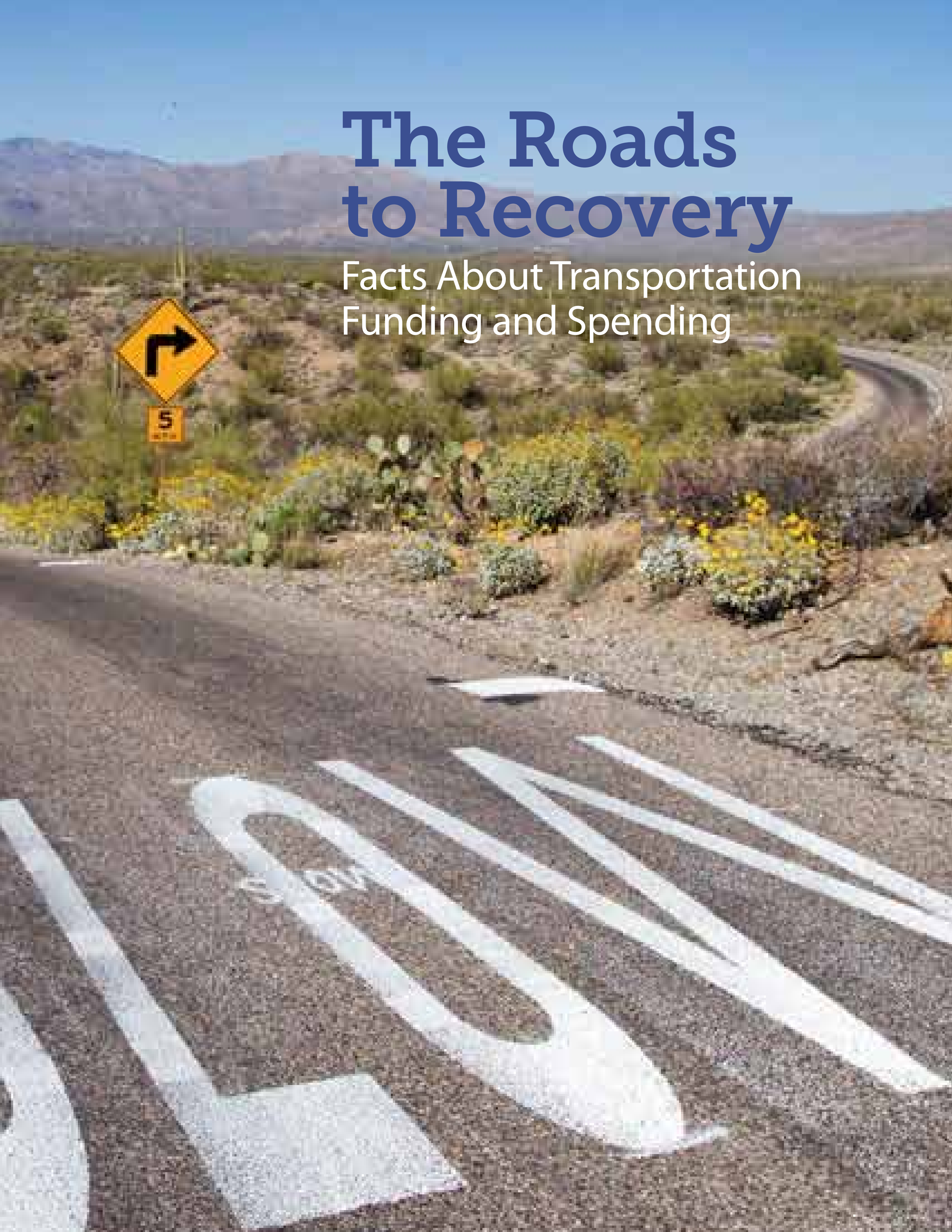
The Roads to Recovery

Facts About Transportation Funding and Spending



How Pima County spends transportation money

(F.Y. 2014-15 Transportation Budget)

1 Debt Service (1997 bonds): $19.1 million
In 1997, county voters approved borrowing $350 million to fund 57 transportation projects over 20 years. The borrowed funds are paid back through annual HURF receipts.

2 Roadway Maintenance: $14.4 million
This fund pays for the general maintenance of the county's transportation systems and the majority is divided into the county's six maintenance districts. General maintenance includes pothole repair, crack sealing and overlays, vegetation maintenance and storm response.

3 Traffic Engineering: $6.7 million
The fund pays for signs, signals, striping, traffic studies and safety systems.

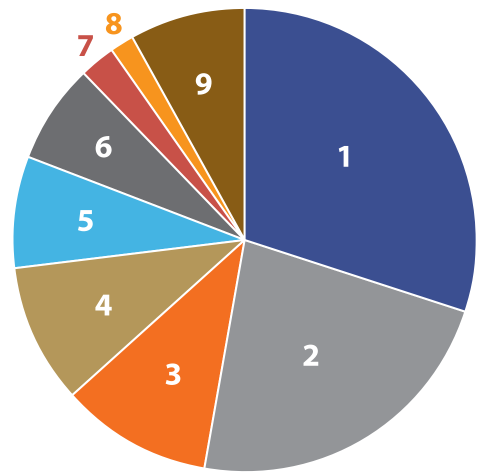
4 Transit: $6.1 million
Nearly all of this fund is used to pay for public transportation services (Sun Tran and Sun Van) in the unincorporated county. The public transportation funding is required under the county's agreement with and participation in the Regional Transportation Authority.

5 Director's Office: $4.8 million
This fund is used to pay for the overall administration of the county Transportation Department. It also pays for a variety of transportation-related projects and programs, including: the Summer Student Program; Environmental planning and compliance; Mapping and records; Graffiti abatement; and community relations.

6 Overhead and Insurance: $4.4 million
This pays for county administrative and other fixed overhead costs and for the county's self-insurance allocation for general liability.

7 Field Engineering: $1.7 million
This fund pays for inspection and compliance services.

8 Engineering and Planning: $1 million
This fund pays for planning and design services on county roads, bridges, sidewalks, and bike paths.



9 Pavement Preservation: $5 million
This fund comes from property taxes transferred to PCDOT by vote of the Board of Supervisors. Pavement preservation is the resurfacing of degraded major arterial roads (as opposed to pothole filling, which is general maintenance).

Total: $63.2 million

Where Pima County's transportation money comes from

(F.Y. 2014-15 Transportation Budget)

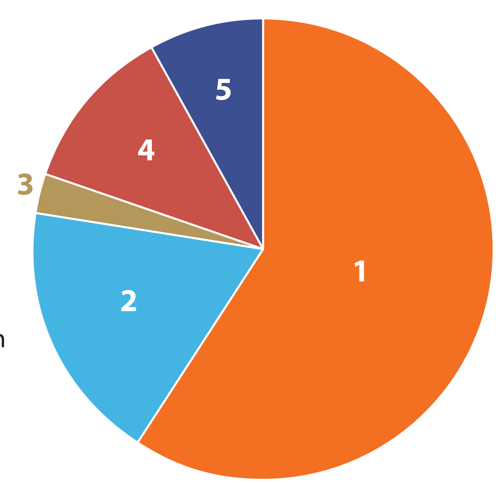
1 HURF: $37.5 million
Highway User Revenue Fund. This fund is made up primarily of taxes on motor fuels and vehicle license taxes but also includes revenue from an assortment of other small taxes and fees. The state divides the money up and shares it with municipalities and counties. About 19 percent goes to the counties.

2 VLT : $11.6 million
Vehicle License Tax. This is the revenue generated through vehicle registrations. About 44 percent goes into the HURF above and then another 24.6 percent is shared with the counties.

3 Other: $1.8 million
Rental income on county property, investment pool interest income, land abandonment, licenses/permits, court ordered restitutions for county property damages and late interest fee on accounts receivable.

4 Fund Balance, Transfers: $7.3 million
This line item includes carry overs from the previous fiscal year and transfers from the county General Fund.

5 General Fund Transfer: $5 million
The Board of Supervisors voted to transfer property taxes out of the General Fund, which is the general operations fund for the county, to pay for pavement preservation of major arterial roads in the unincorporated county.



Total: $63.2 million

The Problem

Many County roads are in need of repair. Saying, "fix the roads," is easy. Finding the money to fix them is hard. It's important to understand how we got here, where we are now and how we can fund road repair.

America's transportation infrastructure is in trouble, suffering from decades of inadequate funding. Arizona roads are no exception. Locally, about 60 percent of Tucson's and unincorporated Pima County's roads are in poor or failed condition. The cost to fix them is more than $1 billion, with about $250 million of that needed in unincorporated Pima County.

How did our roads get this way and why isn't there an easy fix?

The Facts

Declining gas tax purchasing power

- Arizona's gas tax is 18 cents per gallon and hasn't been increased since 1991
- Since 1991, inflation has increased by 71 percent
- Construction costs have more than doubled
- For Arizona's gas tax to have the same purchasing power today as in 1991, it would need to be 33 cents per gallon.

Better vehicle MPG

- Between 1990 and 2012, passenger vehicle gas mileage improved 46 percent
- In 2013, Arizonans drove 71 percent more miles than in 1990 yet they only bought 52 percent more gas; that means more road wear but less revenue per mile driven

Legislative road funding sweeps

- The state collects gas taxes and other transportation fees statewide and is supposed to share those funds with cities and counties to fund road improvements.
- The state Legislature over the past 10 years has swept $1 billion from those funds and used it elsewhere.

Sometimes a new road is the best form of road repair

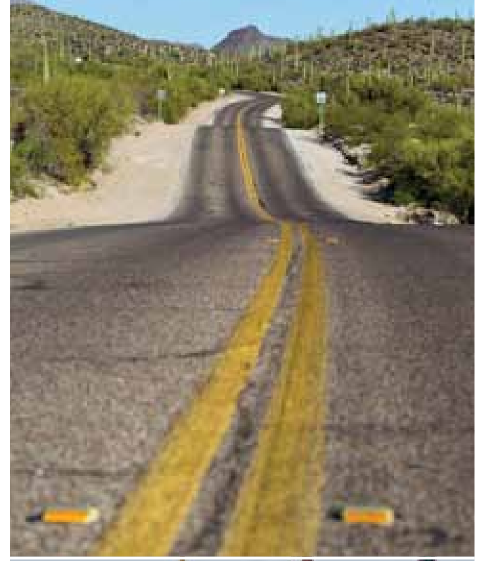
- Some roads are scheduled for reconstruction under the county's capital improvement program (CIP), including $62 million in transportation projects budgeted for this fiscal year.
- Most road reconstructions are paid for by bond funds or Regional Transportation Authority funds, which cannot be used for annual maintenance.
- Some problem roads are on the Regional Transportation Authority projects list, scheduled for reconstruction over the next 10 years. Paying $200,000 for an asphalt overlay on a rough road scheduled to be completely replaced in a few years is a waste of money.

County road bond payment

- In 1997, Pima County voters approved borrowing $350 million in road expansions and improvements to relieve severe congestion and to accommodate growth, borrowing against future gas tax revenues from the state.
- That requires about $19 million a year of our shared transportation revenue be used to pay back the bonds, and those payments will continue until at least 2024
- The borrowed funds must be paid back as promised.

Road maintenance is more than just filling potholes

- Road maintenance is the general upkeep of the county's transportation systems, including filling potholes. Pavement preservation includes the conservation of roadways, which includes chip sealing and milling.
- Most asphalt roads in our dry climate have a normal lifespan of 20-30 years, with deterioration beginning after five years. A road will get progressively worse if not given routine conservation work such as chip sealing.
- In fiscal year 2014, the county spent $21 million on roads maintenance which included filling thousands of potholes, grading dirt roads, clearing sand from wash crossings after storms, striping streets and fixing traffic signals.
- The majority of the county's problem roads are in lightly travelled neighborhoods. Because of funding shortfalls, the County has concentrated its major work on heavily used arterials.
- For the past three years, the county has been adding $5 million from the general fund to help preserve heavily used arterial roads.
- Public safety contributes to spending needs: replacing rough road surfaces doesn't carry the same public safety urgency as clearing mounded sand from a wash crossing after a storm or replacing a burned out bulb in a traffic signal.



The answer to fixing our roads is clear: It will take more money

It will cost more than $250 million to repair the 1,000 miles of unincorporated county roads that are in poor or failed condition. To fix all of those roads without the problem getting worse will cost $30 million a year for 10 years (which accounts for inflation and other projected cost increases over that span). In addition, we also have to consider our annual bill of $28 million for basic maintenance and preservation costs described on the prior pages.

Proposed funding solutions and how they stack up

1. Raise the County's primary property tax and cut the budget

Since the start of the recession in 2007, Pima County has reduced its workforce by more than 1,000 employees and its budget by more than $300 million a year. Finding an additional $30 million a year for pavement preservation without more state gas tax revenue would require increasing the County's primary property tax. However, the state limits the percentage tax increase counties can impose each year, so the tax rate can't be raised high enough to generate funds needed to solve this problem. Making up the difference would require cutting or eliminating fundamental services such as law enforcement, parks, health care and human services.

2. Impose a transportation-specific property tax

While this sounds easy enough, it won't provide the revenue needed to overcome the pavement preservation funding problem. What's more, 63 percent of county residents live in municipalities and the County would need to share the revenue from a countywide property tax increase with local cities and towns, leaving too little left over to pay for roads in the unincorporated County.

3. Impose a countywide half-cent sales tax for county roads

Pima County is the only Arizona county that does not have a countywide sales tax. This could raise more than enough money to overcome our pavement preservation needs in 10 years and have enough left over to reduce the County's property tax rate so that all property owners will benefit.

4. A statewide solution to a statewide problem: gas taxes

The state already has a tax dedicated to roads maintenance and improvements – the state gas tax. It was created for this very purpose. But it is no longer providing the revenue necessary to properly fund Arizona's transportation infrastructure needs because it hasn't been raised since 1991.

What did the 1997 road bonds pay for?

Pima County voters in 1997 approved borrowing $350 million against future HURF payments from the state. All but three of the 57 projects have been completed or are underway. More than 100 lane miles have been completed, relieving strangling congestion that plagued commuters, especially in the Northwest, after two decades of rapid growth. Among the roads that were widened with 1997 bonds are: River Road, Thornydale Road, Skyline Drive, Sabino Canyon, Ajo Way, Craycroft and Alvernon.

In 2013, the state Auditor General, after an audit of the county's general obligation bond program, called the county's bond program "unique" and a potential model for other counties in the state to imitate. It also said the bond program was well-managed, transparent, accountable, adhered to the will of voters and "benefitted citizens throughout the county."

The debt payments for the bonds using HURF allocations will continue until 2024.

Five more facts

1. There is no magic wand to fix our roads.

2. We shouldn't keep complaining about roads if we are not willing to pay for them.

3. The best solution: Arizona needs to raise its gas tax by 10¢ a gallon and constitutionally protect funding from sweeps.

4. The Arizona Legislature raised the state gas tax nine times between 1960 and 1990.

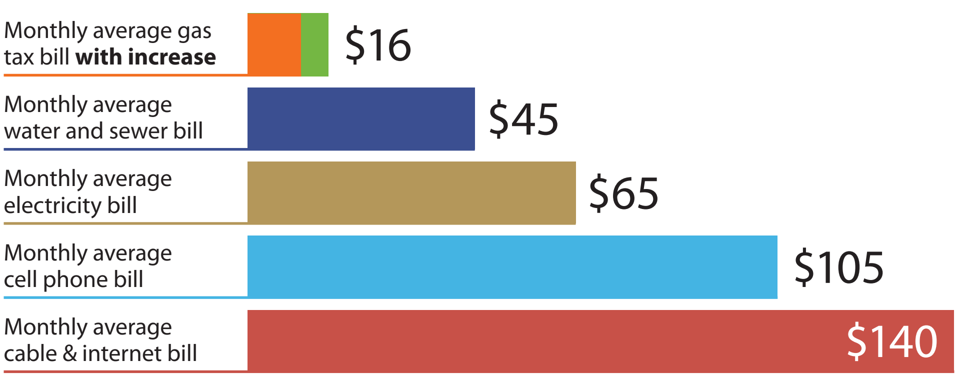
5. The state gas tax has not been increased in 24 years.

Every Arizona county, nearly every municipality and every council of government (cooperative organizations of regional governments such as the Pima Association of Governments) in the past year have asked the state Legislature for an increase in the gas tax. In addition, nearly every chamber of commerce in the state plus numerous industry and trade organizations have also asked for more transportation funding.

How much would that extra 10¢ cost us?

An average driver's monthly gas tax bill of $10.39 would increase by $5.77 a month to total $16.16

FOR COMPARISON:



Your next step

Contact Governor Doug Ducey and your Legislator and ask him or her to do what's right for all of us and for the state's economy and raise the state gas tax 10 cents. We can fix our roads, but we have to do it together.

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