



MEMORANDUM

Date: June 16, 2016

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over the typed name and title.

Re: **2017 Legislative Agenda Related to Highway User Revenue Funds Distribution Among Counties**

Introduction

The Highway User Revenue Fund (HURF) is the primary funding source for transportation investment in Arizona. HURF funds are used to build, operate and maintain the State's highway system. The responsibility for transportation system development and maintenance rests with the State of Arizona through the Arizona Department of Transportation, with cities and towns for streets and highways within their jurisdictions, and with counties for roadways in the unincorporated areas.

Basic Distribution of Funds

The basic division of funds between the State, cities and counties has not changed dramatically over the last several decades. Generally, the State receives 50 percent of the revenue, cities 30 percent, and counties 20 percent. The distribution among cities is then based on a formula that weights equally a city's population compared to the population of all cities in the State and origin of fuel sales for the county in which the city is located to the fuel sales in all counties. This 50/50 HURF distribution formula for cities has remained in place and unaltered for decades.

The original distribution formula for counties was based on 100 percent of the origin of fuel sales in that county as compared to sales of fuel statewide. This resulted in a significantly disproportionate allocation of HURF revenues to Maricopa County. Recognizing the tax inequity of such a distribution formula, Pima County asked the State Legislature in 1996 to alter the formula to better reflect transportation need and demand, with one significant measure of demand being the unincorporated population in that county, which would relate directly to the number of miles to be maintained or operated in that county, as well as the traffic volumes related to population. In 1996, Pima County was successful in having the formula altered; for the first time, introducing into the distribution formula a weighting factor related to unincorporated population. The HURF equity legislation in 1996 resulted in HURF funds being distributed to counties based on 72 percent origin of fuel sales and 28 percent unincorporated population. The formula has remained unchanged since 1996, or 20 years.

Need to Alter the Distribution Formula for Counties

If the formula were to be altered to reflect a formula similar to that used for cities and towns, which is 50 percent origin of fuel sale and 50 percent unincorporated population of the county, the distribution would be more equitable. The table below shows the gains and losses by county of total HURF in the analysis year, Fiscal Year 2014/15.

Comparison of Actual FY 2014/15 HURF Revenue Distribution to Estimated HURF Revenue Distribution with Formula Change

County	July 2014 Unincorporated Population	Actual HURF Revenue Distribution to Counties based on 72% origin of fuel sales and 28% unincorporated population	Estimated HURF Revenue Distribution to Counties based on 50% origin of fuel sales and 50% unincorporated population	Difference
Pima	362,067	\$40,762,362.68	\$46,716,433.79	\$5,954,071.11
Apache	61,513	\$6,396,769.27	\$7,630,731.27	\$1,233,962.00
Cochise	51,104	\$7,586,843.95	\$7,993,217.34	\$406,373.39
Coconino	54,459	\$9,040,356.54	\$9,069,592.99	\$29,236.45
Gila	25,982	\$3,529,256.10	\$3,785,009.28	\$255,753.18
Graham	20,989	\$2,293,193.03	\$2,655,813.75	\$362,620.72
Greenlee	5,177	\$880,475.57	\$843,775.06	(\$36,700.51)
La Paz	14,205	\$3,653,987.72	\$3,253,022.21	(\$400,965.51)
Maricopa	291,033	\$97,698,476.39	\$82,583,674.20	(\$15,114,802.19)
Mohave	77,922	\$11,543,436.75	\$11,936,728.29	\$393,291.54
Navajo	69,273	\$7,653,220.50	\$8,863,170.26	\$1,209,949.76
Pinal	199,215	\$18,291,170.86	\$22,474,470.36	\$4,183,299.50
Santa Cruz	26,954	\$3,216,374.35	\$3,571,293.69	\$354,919.34
Yavapai	85,432	\$10,918,936.01	\$11,947,759.55	\$1,028,823.54
Yuma	63,718	\$9,775,872.69	\$9,916,040.37	\$140,167.68
All Counties	1,409,043	\$233,240,732.41	\$233,240,732.41	\$0.00

As can be seen, Pima County's allocation is estimated to increase by \$6 million under the 50/50 formula. This formula would be more equitable because it would reflect the fact that Pima County has a greater number of unincorporated residents, and hence, a greater demand for road repair, maintenance and improvements.

The Honorable Chair and Members, Pima County Board of Supervisors
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Based on the significant increase in HURF revenue to Pima County under such a new distribution formula, I recommend the priority of the County's 2017 Legislative Agenda be to alter the distribution formula for HURF among counties to reflect the same methodologies used for cities and towns that has been in place for decades.

CHH/mjk

c: Tom Burke, Deputy County Administrator for Administration
John Bernal, Deputy County Administrator for Public Works
Nanette Slusser, Assistant County Administrator for Policy, Public Works
Keith Dommer, Director, Finance and Risk Management
Robert W. Johnson, Budget Manager, Finance and Risk Management
Nicole Fyffe, Executive Assistant to the County Administrator
Michael Racy, Racy Associates Incorporated