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# MEMORANDUM

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Date: March 6, 2014

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

From: C.H. Huckelberry  
County Administrator 

Re: **National Association of Counties Transportation Funding Report**

The Board of Supervisors has grappled for years with how to reconcile growing transportation capacity and road needs with shrinking revenues, exacerbated by legislative funding diversions. This dilemma has forced the Board to fund road improvements with General Fund resources; a partial, but inadequate, solution and one that has only been followed in 3 of the 15 counties, with Pima County contributing far more than the other 3 counties combined.

A common refrain has been to simply shift dollars to find money for improvements. If it were that simple, counties across the country would not be struggling with inadequate resources as outlined in a new report by the National Association of Counties (NACO), *"The Road Ahead. County Transportation Funding and Financing."*

Despite the fact they are responsible for building and maintaining 45 percent – or nearly half – of the public roads across the nation, counties continue to struggle with a growing funding gap fueled in large part by federal budget cuts, the lingering effects of the recession and the stagnant funding mechanisms, such as Arizona's fixed fuel tax, which is not indexed for inflation and has remained unchanged since 1991.

Among the challenges outlined in the NACO report:

- The cost of construction and materials increased by 44 percent between 2000 and 2013, outpacing the 35-percent increase in overall inflation.
- Federal and state funding, as a share of overall local revenues, declined 10 percent between 1998 and 2011.
- The current federal transportation funding law further skewed funding allocations away from local governments. Even though counties are responsible for 43 percent of federal-aid highways, local areas are receiving a sub-allocation of key federal funding that is equivalent to only 16 percent.
- Counties have lost purchasing power as some states, such as Arizona, have diverted money from transportation funding to balance their budgets; and many have not raised gas taxes in more than a decade or two.

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The transportation funding challenge is not limited to county governments; it is reflected at the national level as well. The federal gas tax similarly is not indexed to inflation and has remained the same since 1993. These revenues have not been generating sufficient revenue for the Highway Trust Fund since Fiscal Year 2008, with the federal government forced to transfer general fund revenues to keep the fund from insolvency.

The report concludes that even as counties have tried to supplement flagging revenues with their own general funds or have explored new funding mechanisms, such as public-private partnerships, these efforts are insufficient to address transportation needs. The solution ultimately lies in all levels of government working together to meet citizens' expectation of a seamless network of roads and bridges.

The full report may be accessed at:

[http://www.naco.org/newsroom/pubs/Documents/NACo Road Ahead 02.24.2014.pdf](http://www.naco.org/newsroom/pubs/Documents/NACo_Road_Ahead_02.24.2014.pdf)

Increasing transportation revenues is basic to resolving transportation issues. Until the reality of needing a transportation revenue increase is recognized, our transportation system will continue to be significantly underfunded.

CHH/mjk

c: John Bernal, Deputy County Administrator for Public Works  
Nanette Slusser, Assistant County Administrator for Public Works Policy  
Priscilla Cornelio, Transportation Director