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# PIMA COUNTY

## **Highway User Revenue Funds, Vehicle License Tax & 1997 HURF Bond**

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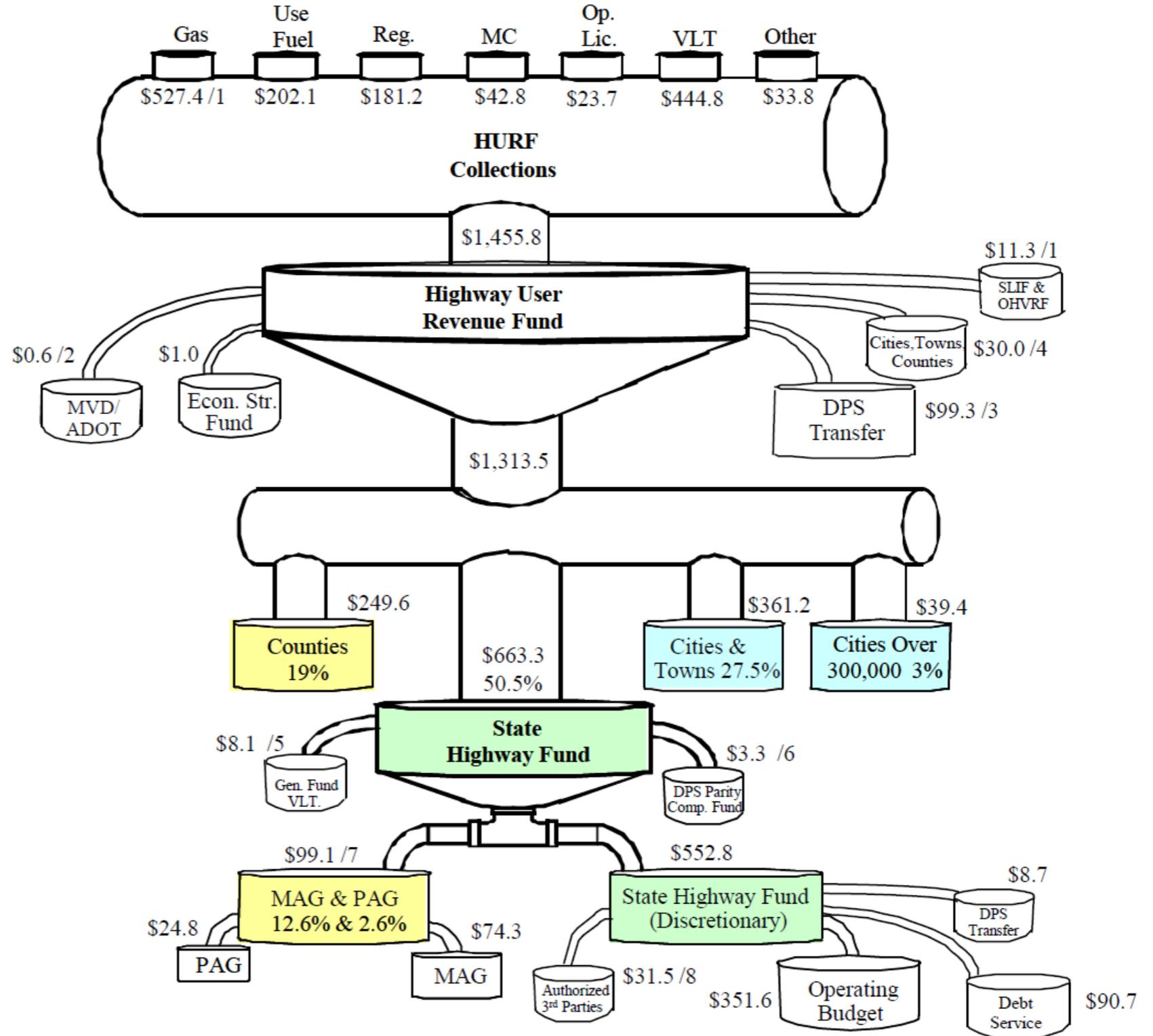
**January 22, 2019**

# ARIZONA DEPARTMENT OF TRANSPORTATION FY 2018 HURF ACTUAL REVENUE DISTRIBUTION FLOW

(Millions of Dollars)

**NOTES:**

- /1. Arizona Revised Statutes 28-5926 and 28-5927 transfer 1.6 percent of gas tax revenues to the State Lake Improvement Fund (SLIF) and 0.55 percent of gas tax revenues to the Off-Highway Vehicle Recreation Fund (OHVRF). The \$527.4 million of gas tax revenue is before of a total \$11.3 million transferred to the above two funds.
- /2. In FY 2018, \$656,100 was appropriated to MVD for the vehicle registration enforcement and 3rd party programs.
- /3. The \$99.4 million appropriation to DPS in FY 2018 has been netted of a \$0.1 million reversion from DPS to HURF for unused FY 2017 appropriations.
- /4. Starting in FY 2015, special off-the-top distributions to cities, towns and counties have been made each fiscal year. Laws 2016, 2nd Regular Session, Chapter 125 (HB 2708) distributes \$30.0 million to cities, towns and counties in FY 2018. Actual FY 2018 distributions: 1. Cities over 300,00 persons - \$1.6 million, 2. Cities/Towns - \$14.4 million, 3. Counties over 800,000 persons - \$4.0 million, 4. Counties - \$10.0 million. Counties over 800,000 persons distribution was deposited into the MAG and PAG 12.6% accounts within the State Highway Fund.
- /5. Laws 2011, 1<sup>st</sup> Regular Session, Chapter 28 (SB 1616) transfers from the State Highway Fund share of VLT generated the difference in the two-year and five-year VLT to the state general fund which totaled \$1.8 million. Laws 2010, 7<sup>th</sup> Special Session, Chapter 12 (HB 2012) an amount equal to 90 percent of the fees collected under 28-4802 (A) and 60 percent of the fees collected under 28-4802 (B) shall be transferred from the State Highway Fund share of VLT to the State General Fund which totaled \$6.3 million.
- /6. Per Arizona Revised Statutes 28-5808, 1.51 percent of the State Highway Fund share of HURF VLT is distributed to the DPS Parity Compensation Fund.
- /7. The 12.6% (statutory) and 2.6% (non-statutory) allocations from the State Highway Fund share of HURF distributions.
- /8. Revenues to the State Highway Fund are reduced by the amount retained by Authorized Third Parties for the collection of VLT.



# Highway User Revenue Fund Challenges

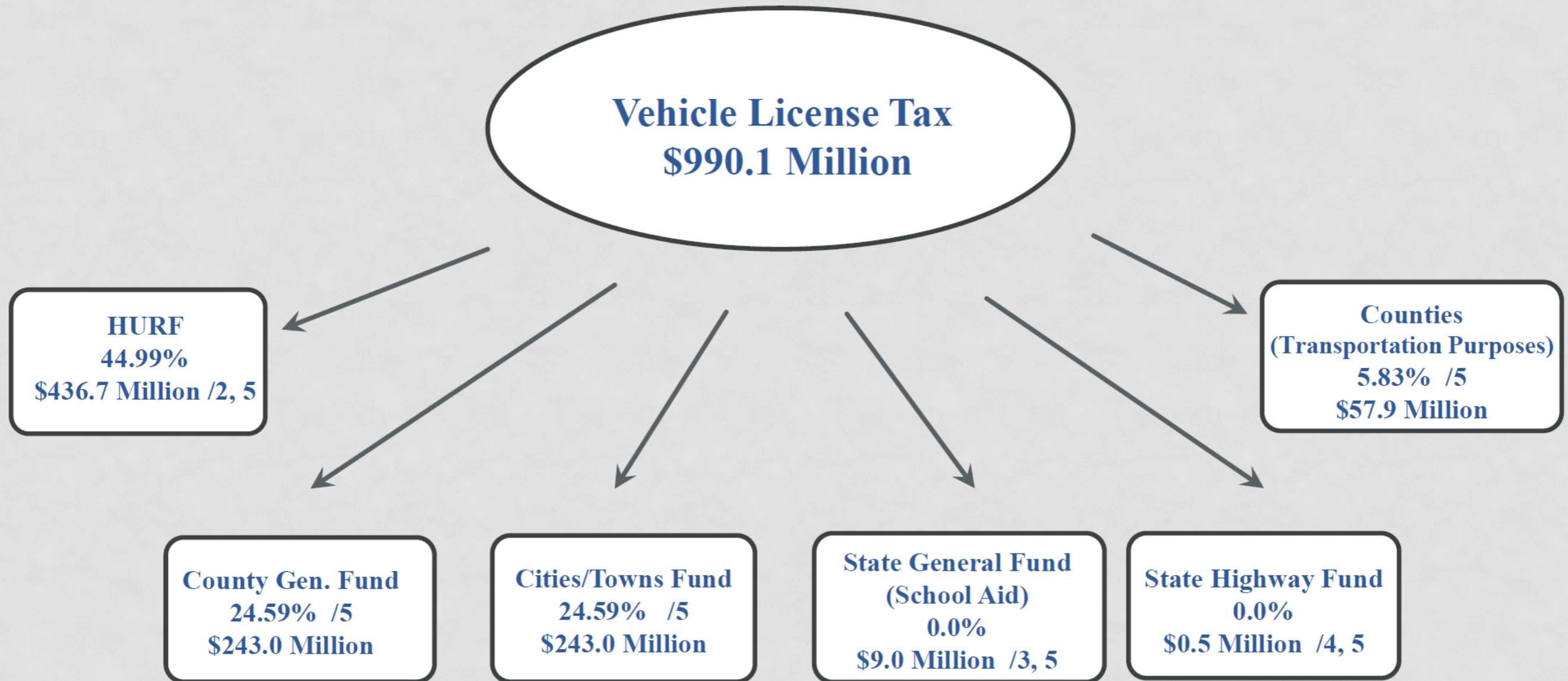
- Inequitable HURF sharing formula
  - Primarily County origin of gasoline sales
  - Consideration of unincorporated population in late 90's
- Maricopa receives more than 2x per person despite similar amount of road miles
- State diversion of nearly \$100 million annually; over \$1.2 billion total
- Gas tax unchanged in 28 years, plus more fuel efficient vehicles & reduced buying-power due to inflation

## Vehicle License Tax (VLT) - Transportation

- Enacted in 1940 for general government purposes and local school districts
  - 1970s: change in distribution of schools funds to the State General Fund
  - 1980s: dedicate portion for ***transportation purposes***
- Long-standing history of VLT funds dedicated for general government purposes.
- Use of general funds on roads in unincorporated area poses tax equity & statutory issues.

# VEHICLE LICENSE TAX DISTRIBUTION

FY 2018 ACTUAL /1



**NOTES:**

1. The distribution for each recipient based on statutory distribution, not the estimated weighted percentages. The State General Fund and State Highway Fund receive a share of the VLT only from alternative fuel vehicles, rental vehicles and privately owned vehicles used as a school bus, ambulance or fire fighting service. The other VLT recipients also receive a small amount of VLT from these vehicles.
2. Includes monies for Laws 2005, Chapter 306 (SB 1119) that distributes 1.51% share of State Highway Fund's share of HURF VLT to DPS Parity Compensation Fund that totaled \$3.3 million in FY 2018. Excludes monies for Laws 2011, 1<sup>st</sup> Regular Session, Chapter 28 (SB 1616) and Laws 2010, 7<sup>th</sup> Special Session, Chapter 12 (HB 2012) that distributed \$8.1 million of the State Highway Fund share of HURF VLT to the General Fund.
3. Includes \$9.7 thousand from the registration compliance program per Laws 2002, Chapter 328 (HB 2708), \$1.0 million from the distribution in footnote 1 and \$8.1 million per footnote 2.
4. \$31.5 million was paid to MVD Third Parties for VLT transactions in FY 2018 with \$31 million being paid from the State Highway Fund and \$0.5 million from the State Highway Fund share of the VLT per HB 2026 and HB 2055 from the 1998 and 2001 legislative sessions. The reimbursements were previously paid solely from the State Highway Fund share of VLT until it was severely reduced by the VLT rate reductions.
5. Percentages are approximate based on a weighted average of the various motor vehicle types that are taxed at various tax rates per statutes.

# Pima County Use of HURF & VLT

## Road Maintenance

- ✓ Grading dirt roads
- ✓ Pothole repair
- ✓ Street sweeping
- ✓ Clearing weeds and trees in right-of-way and medians
- ✓ Shoulder and sidewalk repair

## Debt Service on 1997 Road Bonds

## Pavement Preservation

- ✓ Arterial and collector roads
- ✓ Local roads

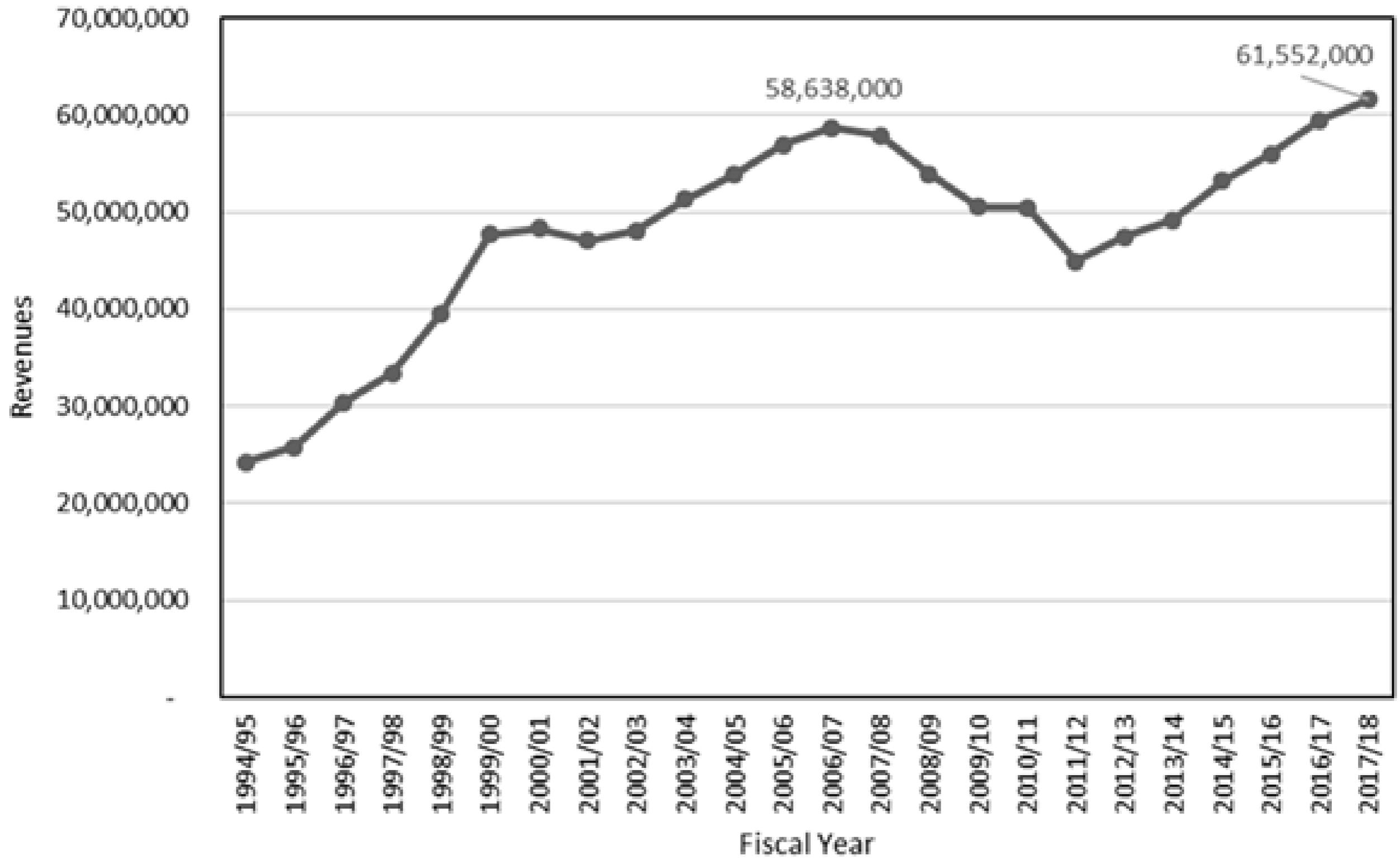
## Installation and maintenance of traffic control devices

- ✓ Signing
- ✓ Pavement Markings
- ✓ Electrical Services
- ✓ Streetlights and traffic signals

## Construct road improvement projects

- ✓ Planning
- ✓ Engineering
- ✓ Permitting
- ✓ Inspection

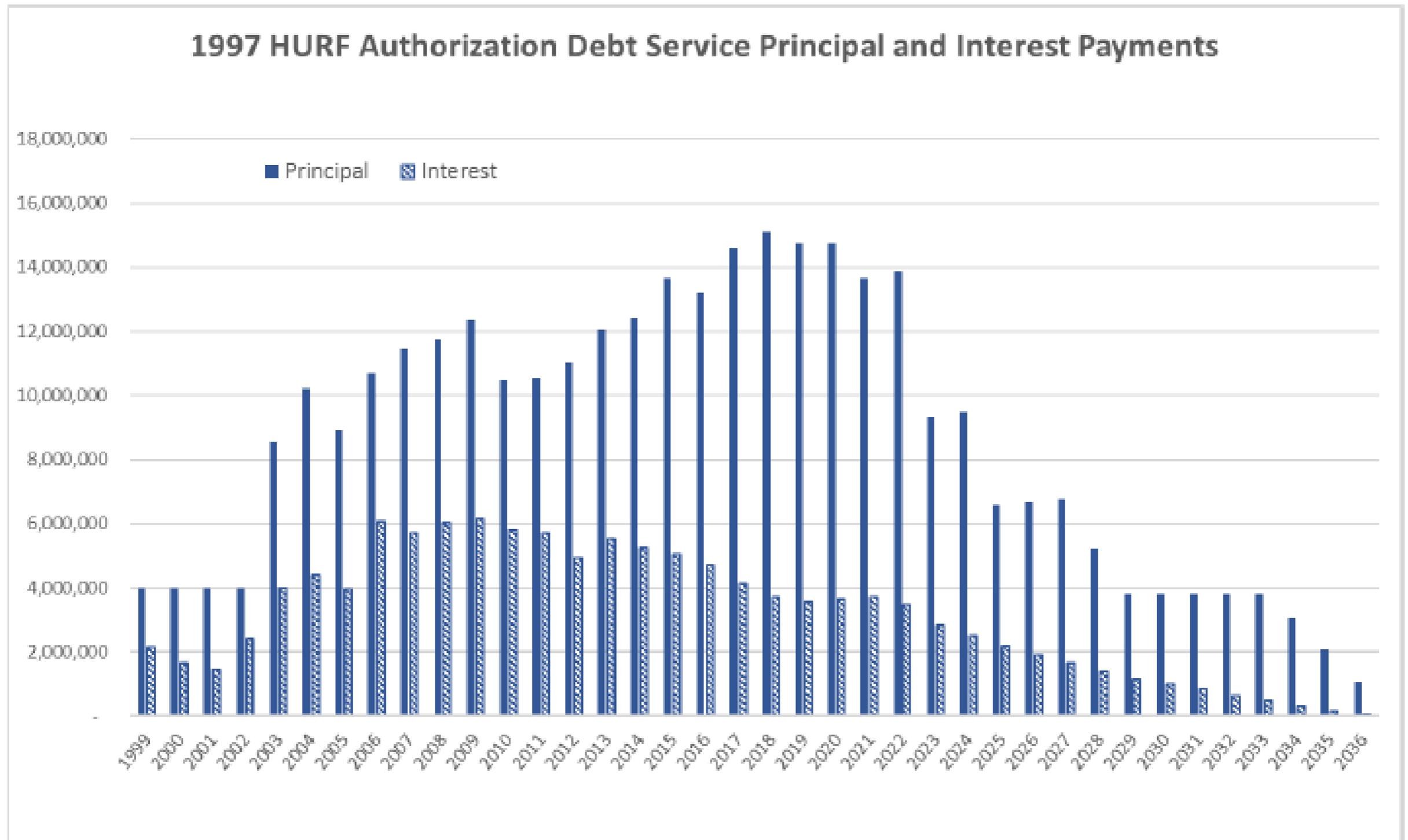
# Pima County HURF and VLT Revenue by Fiscal Year



## 1997 HURF Bond Program

- \$350 million for roads in County, cities & towns to increase mobility and reduce congestion
- \$287.6 million of HURF bonds sold to date
  - ❑ 250 lane miles of capacity improvements & 90 safety projects
  - ❑ Average lane miles doubled; congestion reduced 43%
- FY19 Debt Service Payment: \$18.8 million. Equates to 27 percent of DOT budgeted operating expenses
- \$295 million in principal & interest payments between 1997 and June 30, 2018.
  - ❑ Represents 27 percent of HURF spent on debt service over this time frame

## Debt Service on County HURF Revenue Bonds Issued and Scheduled to be Issued



- Sizeable decrease in 2022/23 - \$6 million less than current
- 10 years from now \$12 million less; \$15 million less in 15 years

## Remaining 1997 HURF Bonds

- \$62.4 million in HURF bonds have not been issued
- Over \$40 million dedicated to City projects (Houghton, Broadway, and 22<sup>nd</sup> Street)
- Intergovernmental Agreements in place with City for majority of the funding; cannot unilaterally change
- Remaining County projects include Kinney Road, Kolb and 13 safety improvement projects; year two of \$16 million reallocation to road repair to be completed in FY20
- Administrator recommended remaining improvement & safety projects proceed, and any unused bond funds be allocated to additional safety projects

# Questions

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