

## **Transportation Funding Challenges**

A Sustainable Transportation System Requires Sustainable Funding

Transportation is Fundamental to the Health, Vitality and Sustainability of our Community and its Economy

- Aging roads, bridges and transit systems are in decline
- Maintenance is being deferred, only to cost more later
- Improvements, upgrades and new technologies often cost too much to be implemented
- At the same time, population, vehicular and truck travel are on the rise
- The need for more transportation choices is escalating, particularly to serve growing elderly, disabled, special needs and transit-dependent populations

Our Anticipated Funding Is Not Enough to Meet Existing and Future Transportation Needs

- A nearly \$5 billion funding shortfall was identified in the 2030 RTP, not including the costs of many major new high capacity transportation road or transit facilities
- Voter approval of the \$2.1 billion RTA plan only partially reduced the shortfall
- The shortfall for the 2040 RTP may approach \$10 billion
- Many funding sources are limited to roadway use only

Project Costs Continue to Escalate Due to Inflation but Also Due to Factors Such as:

- Material shortages for specific construction products
- Increased construction demand elsewhere due to special circumstances such as hurricane recovery reconstruction programs or development pressures in areas like China and India
- Regulatory restrictions and processes
- Increased technical requirements
- More extensive public expectations or demands as to what projects should include
- Bankruptcies and other economic impacts

## Our Existing Revenue Stream is Under Assault at Many Levels and Buying Power Decreases Yearly

- Most revenues are from state and federal gas taxes which are not indexed to inflation
- Increases in the price of gas do not translate into increased transportation revenues because the gas tax is paid on a strict per-gallon-sold basis
- Inflation reduces the buying power of revenue from state and federal gas taxes
  - 18 cents in gas tax in 1993 has lost a third or more of its buying power
- Increased fuel economy and the growing use of alternative fuels reduces annually the per capita gas sales
- The federal Highway Trust Fund was depleted of funds in September 2008, requiring an act of Congress to infuse \$8 billion from general funds. This scenario is expected to repeat again sometime in federal fiscal year 2009.
- Earmarks also decrease available federal funding
- In Arizona, transportation funds are often diverted to other uses by legislative action

## New Funding Sources are Needed, Probably User-Based Sources

- User-based sources appear to get the most public support
- The gas tax is user-based but may be unsustainable, perhaps as early as 2020
  - An immediate increase and indexing to inflation are needed to maintain viability
  - Even so, gas tax does not account for fuel use and efficiency, or for the costs associated with driving on congested roads in peak periods
- Toll roads are direct fees but can be expensive to collect and often require stopping traffic, which is undesirable
- Mileage-based user fees are gaining popularity but are currently difficult or costly to collect

All Solutions Require Funding that Ultimately Comes from Users or the General Taxpayer