

# Fiscal Note

**BILL #** SB 1356

**TITLE:** transportation tax; election; Maricopa county

**SPONSOR:** Pace

**STATUS:** As Introduced

**PREPARED BY:** Jordan Johnston

## Description

SB 1356 would direct Maricopa County to call a countywide election for the extension of the county's half-cent transportation excise tax at the November 2022 general election. The current tax is scheduled to expire on December 31, 2025. As of January 1, 2026, the bill would continue the existing half-cent sales tax, subject to voter approval through the end of 2050. The bill would also change the current distribution of the tax revenues. The bill further creates a Transportation Tax Plan and modifies the budgeting process for the Maricopa Association of Governments (MAG).

## Estimated Impact

By the time the current tax expires in 2025, we estimate it will generate \$755 million annually. If Maricopa County voters approve the extension of the transportation excise tax, that same revenue stream will continue. We estimate that the annual revenue will reach \$2.0 billion by the end of 2050.

We have not yet received a fiscal impact estimate from the Arizona Department of Transportation (ADOT).

## Analysis

Background – In 2004, Maricopa County voters approved a countywide transportation excise tax levied at a rate of 10 percent of the state transaction privilege tax (i.e., a one-half cent sales tax). Revenues from the tax are currently deposited into the Regional Areas Road Fund (RARF) and the Public Transportation Fund (PTF) as follows: 66.7% to RARF and 33.3% to PTF. Monies within RARF are allocated as follows: 56.2% for freeways and roads in the state highway system, 10.5% for major arterial streets and intersection improvements.

Under the bill, MAG would be required to develop and adopt a new plan for the 25-year extension period under which they specify how revenues are to be distributed. Furthermore, MAG would be required to submit a distribution plan to ADOT annually that distributes at least 52.5% of revenues to RARF and at least 32.5% of revenues to the PTF. Monies within RARF are to be used for freeways and other routes in the state highway system as well as major arterial streets and regional programs. Monies within PTF are to be used for capital costs, maintenance and operation of public transportation mode classifications, and capital/utility costs associated with the light rail system. The remaining 15% of revenue distribution is determined by MAG in their plan.

Cost Estimate – Using the Department of Revenue's (DOR) Annual Reports, we calculated the tax base and projected revenues assuming a growth rate of 5%, which is based on of the average 10-year growth rates of the tax base. Given this assumption, we estimate the half-cent sales tax will generate \$755 million annually upon expiration of the current tax in 2025. By the time the tax extension expires in 2050, we estimate annual revenue will reach \$2.0 billion.

(Continued)



Table 1 below illustrates how the collected revenues from the transportation excise tax are distributed based on the current distribution formula versus the newly constructed formula under the bill. The table shows how the estimated annual revenue of \$755 million would be split.

	<b><u>Current Formula</u></b>		<b><u>SB 1356 Formula</u></b> <sup>1/</sup>	
RARF	66.7%	\$ 503,585,000	52.5%	\$ 396,375,000
PTF	33.3%	251,415,000	32.5%	245,375,000
Unspecified	-	-	15%	113,250,000
<b>Total</b>	<b>100%</b>	<b>\$ 755,000,000</b>	<b>100%</b>	<b>\$ 755,000,000</b>

<sup>1/</sup> SB 1356 limits the amount of total revenues that can be expended on capital costs and utility relocation costs associated with the light rail systems to 14%.

2/9/22