

Fiscal Note

BILL # SB 1356

TITLE: transportation tax; election; Maricopa county

SPONSOR: Pace

STATUS: Senate Engrossed

PREPARED BY: Jordan Johnston

Description

Maricopa County currently levies a transportation excise tax that expires in December 2025. Under current state law, Maricopa County can levy a tax rate that is no more than 10% of the state's Transaction Privilege (TPT) tax rate excluding the education sales tax rate. Maricopa County currently levies the full amount permitted under law. Since the state TPT rate on most classifications is 5%, the current Maricopa tax rate is generally 0.5% with some exceptions.

SB 1356 would direct Maricopa County to call a countywide election for November 2022. The voters would be asked whether to approve a transportation excise tax from January 2026 to December 2050. The tax cannot be more than 10% of the state TPT in effect as of January 2022.

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

The bill does not have a state fiscal impact.

We estimate the current Maricopa transportation tax will generate \$754 million annually by the time it expires in 2025. If voters approve the 2026-2050 transportation tax, the local fiscal impact after 2025 will at least depend on the following 2 factors:

- The transportation tax rate adopted by Maricopa County (which can be no more than 10% of the state TPT rate).
- The state TPT tax base in effect as of January 2026.

As a result of this uncertainty, we cannot predict the level of Maricopa County transportation tax revenues starting in 2026.

The Arizona Department of Transportation (ADOT) did not provide an estimated impact of the bill. In response to a request for the bill's fiscal impact, ADOT noted that as new freeway miles are added as a result of the tax, ADOT will experience increased maintenance costs.

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 excluding the education sales tax. That state rate is currently 5.0% for all TPT classifications except lodging (5.5%) and mining (3.125%).

(Continued)



The Maricopa Transportation revenues 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. The transportation tax in CY 2021 currently collects about \$592 million. Using the growth rates from the JLBC Baseline 4-sector sales tax forecast, we estimate \$754 million in CY 2025 collections.

Under the Senate Engrossed version of the bill, MAG would be required to distribute 2026-2050 revenues as follows: 59.6% to RARF and 40.4% to PTF. Monies within RARF are allocated as follows: 37.4% for freeways and roads in the state highway system, 22.2% for major arterial streets and regional programs. PTF monies 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. Up to 5% of the transportation tax revenues may be transferred between RARF and PTF, with the exception that the 37.4% RARF allocation for freeways and roads in the state highway system may not be decreased. The bill requires MAG to allocate at least \$90 million over the course of the 2026-2050 transportation tax revenue collection for commercial vehicle parking.

Table 1 provides a sample illustration of how the distribution differs between the existing and Senate Engrossed formulas. Since we do not have a CY 2026 estimate, we have used our CY 2025 estimate of \$754 million for the comparison even though the SB 1356 formula will not be in effect until the following year. For illustrative purposes, we have assumed that the monies are distributed assuming no monies are transferred between RARF and PTF.

	<u>Current Formula</u>		<u>SB 1356 Senate Engrossed Formula</u> ^{1/}	
RARF	66.7%	\$ 502,918,000	59.6%	\$ 449,384,000
PTF	33.3%	251,082,000	40.4%	304,616,000
Total	100%	\$ 754,000,000	100%	\$ 754,000,000

^{1/} 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%.

3/22/22