

# DECADES

◀ WHAT THE TRENDS TELL US ▶

## Transportation Declining Highway User Revenue Fund



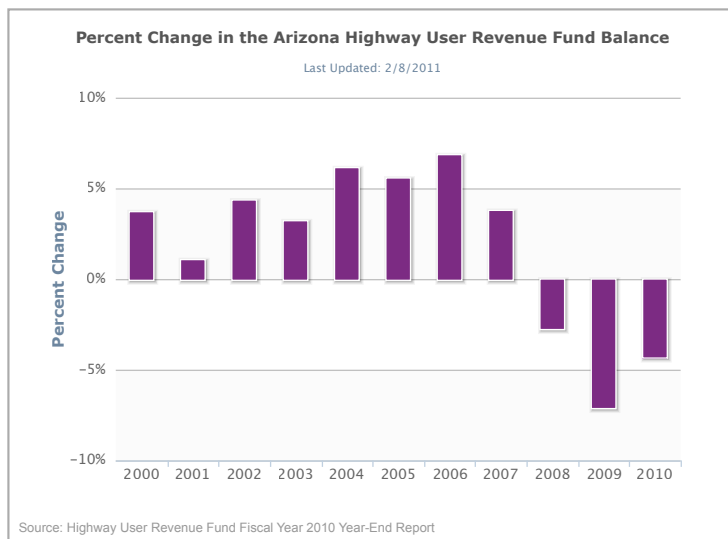
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**Q:** What were the most interesting and important trends in Arizona transportation that occurred in the previous decade? What is the significance of these trends and what insights can we apply to the new decade?

**A:** While the pace of growth has slowed, Arizona's infrastructure needs will continue to increase in the coming decade. One of the primary sources of transportation funding is the Highway User Revenue Fund (HURF), a state fund administered by the Arizona Department of Transportation (ADOT), which is rapidly declining in available dollars. While annual fund growth was relatively healthy during boom times, the economic recession has exposed HURF's vulnerability to business cycle fluctuations.

HURF is funded largely by gasoline taxes, as well as motor carrier fees and vehicle licensing fees. Just like state revenues across the board, the down economy has had a direct impact on HURF. As more Arizonans are out of work, less commute miles translates to less gasoline purchased. Additionally, a general reduction in spending impacted all household categories, including gasoline purchases. Other components of HURF, including registration and licensing fees, also took a hit as fewer Arizona families spent money on big purchases like new vehicles. Additionally, the gasoline tax has remained constant at a flat \$0.18 per gallon since 1991, not keeping up with inflation or rising fuel costs. This is a problem that will persist even as the economy makes a slow come back.

The fund's balance was down 7% between fiscal year 2008 and 2009 and was 10% below projected revenue. According to ADOT, the recently closed fiscal year was the worst performance for HURF on record and the first time there were two straight years of negative growth. As Arizona moves forward, we need to determine if we want to augment these dollars, and if so, how to best do it. In addition to simply maintaining the status quo, options include increasing the amount of gasoline tax collected, increasing the sales tax to provide dedicated funding, or entering into public-private partnerships to build toll roads.



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Arizona Indicators is a project of Morrison Institute for Public Policy.

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