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PHOENIX Business Journal

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State struggles to find adequate transit funding

Phoenix Business Journal - by [Angela Gonzales](#)

Despite \$350 million in federal stimulus funding for 41 transportation projects, Arizona business leaders and transportation officials are wondering where the next pot of money will come from to finance other projects sorely needed across the state.

Arizona lags other states in the amount of money invested in transit, said Dave Boggs, executive director of **Valley Metro**. On average, U.S. cities spend \$129.87 per capita on transit, he said, but Phoenix spends only \$71.10 per capita.

Voters approved Proposition 400 in 2004, continuing a half-cent sales tax to fund regional transit projects, providing \$4.2 billion through 2026. Combined with federal matching funds and other funding sources, the revenue generated will provide \$7.7 billion in public transportation improvements through 2026.

Still, it's not enough, transportation officials say.

"Without the Prop. 400 sales tax, we would be in much worse shape than we are now," Boggs said. "But the Maricopa Association of Governments, along with our agency and Metro (light rail), are conducting a regional transit framework study that establishes the technical framework of what needs to be done to guide our transit investments and decisions."

Where that money will come from has business leaders and transportation officials scratching their heads. They have discussed additional sales tax increases as well as a fuel tax increase. Each has its pros and cons.

Jack Lunsford, president and CEO of **Westmarc**, said given the way the economy is today and the way consumers are spending, the state could raise \$1 billion a year if it imposed a 1-cent sales tax increase. If the state wanted to raise that same amount via a gas tax increase, however, it would have to add 27 cents per gallon, he said.

City officials squirm when any sales tax increases are suggested, he said.

"In this state, we have a 10 percent threshold where aggregate sales taxes can't be more than that," Lunsford said. "We know it's not true in other cities, such as Chicago and New York, but here it's an unwritten threshold."

That was an issue when the TIME Coalition (Transportation and Infrastructure Moving Arizona's Economy) tried to place a measure on the ballot last fall to raise the sales tax by one penny, he said. The initiative failed because it did not collect enough voter signatures.

"I think one of the things we're going to have to consider in the short term for the budget deficit is a tax increase," Lunsford said. "The same kinds of questions that were asked about transportation are being asked right now on solving the budget deficit."

Gov. Jan Brewer wants to hold a special election asking voters for a temporary sales tax increase to help solve the \$3 billion state budget deficit. Economists with Arizona State University's W.P. Carey School of Business say the state should raise its 5.6 percent sales tax temporarily by 1 cent and cut \$500 million in state spending.

Meanwhile, environmentalists are pushing to reduce the nation's dependency on foreign oil, while automakers are set to unveil electric and hybrid vehicles to meet a federal requirement that new cars get 35 miles per gallon.

"All of these suggest that in the future, our cars are going to get better gas mileage," said Marty Shultz, vice president of government affairs for **Pinnacle West Capital Corp.** in Phoenix and a key backer of the TIME initiative.

That means a fuel tax increase wouldn't garner as much revenue, he said.

Shultz estimates Arizona will need \$50 billion in transportation funding over the next 20 years. So far, he said there are no comprehensive proposals to meet that need.

"Transportation is the lifeblood of our economy," said Shultz, adding that Maricopa County encompasses 10,000 square miles and Valley residents rely on several modes of transportation to get across town.

To make matters worse, the state's budget deficit is squeezing transportation agencies.

MEDIA



The **Arizona Department of Transportation** is making cuts, including employee furloughs and a hiring freeze for 350 positions, while Valley Metro is cutting bus services and raising passenger fares to deal with its shrinking budget.

John Halikowski, interim director of ADOT, said the state needs to address infrastructure needs to deal with the area's rapid growth.

"We have the potential to become an economic powerhouse someday," he said. "Our infrastructure has to be set up properly to do that. If we don't have that, then it's not economically attractive for businesses to locate here."

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Arizona Department of Transportation: www.dot.state.az.us

Maricopa Association of Governments: www.mag.maricopa.gov

Valley Metro: www.valleymetro.org



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