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Transportation mission unfulfilled with continued fund cuts

PHOENIX - Speaking to Gov. Jan Brewer Jan. 9 during a stakeholder review of the proposed 2010 state budget, Arizona Department of Transportation Director John Halikowski warned of a "perfect storm" brewing as more dedicated transportation funds are siphoned to support the state's General Fund budget.

This storm involves dropping transportation revenue from gasoline and vehicle-license taxes, as well as continued instability in federal funding.

While revenues have decreased to support transportation programs, more than \$400 million has been reallocated by the Legislature in recent years from the State Highway Fund into other areas of state government.

This represents a significant lost investment to Arizona's diverse transportation needs, Halikowski said.

During the month of May, the Highway User Revenue Fund - ADOT's primary revenue source - collected \$93.1 million, 16 percent below this same time last year.

During fiscal year 2009, ADOT has received \$1.1 billion in HURF funding so far, which is 7.4 percent below last year. HURF revenue was \$1.2 billion in Fiscal Year 2008.

With far-reaching impact, HURF revenues are distributed to cities, towns, counties and to ADOT's State Highway Fund, which provides working capital for critical construction and maintenance projects throughout the state highway system.

"It is imperative that Arizona residents understand that the HURF revenues which build our roads are decreasing at an alarming rate," Halikowski said.

"We are at the mercy of declining revenues from the gas tax and vehicle registration fees. We are working with an outdated funding system for the gas tax and people are driving less now than they were a few years ago.

"The money we do have is being swept in the legislative proposal to help balance the state budget. Our mission is to build Arizona's roads. This mission is not being fulfilled."

The legislative budget proposal reduces transportation funds by \$167.5 million for fiscal year 2010. Combined with 2009 fund reductions, the State Highway Fund's contributions to the state budget shortfall will exceed \$570 million.

This is money that Arizona residents pay for transportation uses that is being diverted from its designated purpose to help balance the deficit in the state's General Fund.

In addition, Halikowski said the proposed legislative cuts may have more far-reaching impacts since the state is dangerously close to losing part of its share of federal gas taxes paid by Arizonans for transportation improvements, and the state's bond rating is at risk as a direct result of legislative fund transfers and declining transportation revenues. A lower bond rating translates to higher costs for the state to borrow funds to complete projects.

"Our ability to improve and maintain highways is directly tied to the level of state and federal funding," Halikowski said. "ADOT relies on state funds to qualify for federal funds on construction projects. If we don't have the state funds to move forward on projects, our federal funding will also dry up and go to transportation improvements in other states."

Transportation dollars also directly influence the state's economy - improving freight movement, putting people to work building transportation projects, and providing supplies that spur economic development and attract jobs to the state.

About 80 percent of the money collected by ADOT returns to the private sector, Halikowski told the Governor.

"We all want to keep people working, and by pumping 80 percent of every dollar received directly to the private sector, ADOT daily meets this challenge," Halikowski said. "Cutting dollars for construction, freight movement and services is counterproductive to improving the state's economy."

Under Brewer's budget proposal, more funding for transportation programs would be protected. The governor's budget outlines a 5 percent reduction to transportation funding, versus the proposed legislative reduction of 15 percent - a \$50 million difference.

ADOT already has self-imposed budget reductions due to the declining revenues as people purchase fewer goods and services, drive less and buy fewer vehicles.

These internal management efforts have helped to maintain a balanced budget within the agency, which is not funded by the state's General Fund.

To learn more about state and federal funding for ADOT, visit www.azdot.gov.