

Valley budget shortfall threatens transit projects

by *Kerry Fehr-Snyder* - Oct. 16, 2008 12:00 AM
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The Valley's freeway and mass-transit projects are short \$4.5 billion as tax revenues plummet, construction costs soar and government bonding capacity stalls, the transportation director for the region's planning agency told stunned mayors Wednesday.

The gloomy prediction from Eric Anderson of the Maricopa Association of Governments, means that funding for proposed projects such as the South Mountain Freeway and Loop 303 are in jeopardy.

"The only good news is that crude-oil prices are falling below \$75 a barrel," Anderson told MAG's transportation policy committee.

The committee is comprised of Valley mayors, city council members and others.

The Valley's fiscal outlook has darkened since August, when Anderson met with Arizona Department of Transportation officials to revise cost and revenue estimates for Valley freeway projects.

"ADOT is in an extremely tight financial situation," Anderson said.

He added later, "Who knows what's going to happen tomorrow. That's one of the challenges."

Sales tax revenues from auto dealerships alone fell to \$500 million in July from \$800 million for the same month a year earlier.

"This is a dramatic decline," he said. "This has implications on future spending, and it will take a long time to work out."

The downturn hit the Valley's economy harder because it has relied so heavily on home building and commercial real estate. Unlike the downturn in the late 1980s during the savings and loan crisis, this crisis stretches far beyond developers and institutional investors.

Arizona collected \$96 million less in highway user revenue funds in fiscal 2008 than what was projected last year.

At the same time, highway and street construction costs rose 77 percent over the past four years.

Governments are struggling to cover those costs with bonding authority as markets freeze. Only \$4 billion in bonds were issued nationally over the past three weeks compared to \$6 billion for an average week before the turmoil, according to MAG's data.

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The funding shortfall may prompt planners to scale back the size of the proposed 22-mile South Mountain Freeway to six lanes from 10, Anderson said. The project's cost has grown to \$2.4 billion from \$1.7 billion in the past two years, eclipsing its budget for the next decade at least.

MAG's transportation-committee members also may decide to convert freeway projects to less expensive parkways, add high-occupancy lane toll roads or delay other projects. But unlike funding shortfalls in the early 1990s, no project will be removed from the regional transportation plan without having to first undergo a major amendment to Proposition 400, the voter-approved half-cent sales tax that funds Valley transportation projects.

Ron Ames, a MAG transportation-committee member and Peoria city councilman, said he hopes that revised population projections will show a declining need for new freeways.

Anderson said that's unlikely because the Valley is already behind on building freeways, especially in the West Valley.

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