

# Maricopa County Transportation Excise Tax

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**Fiscal Year 2009  
Year-End Report**



**Arizona Department of Transportation  
Financial Management Services  
Office of Financial Planning  
July 2009**

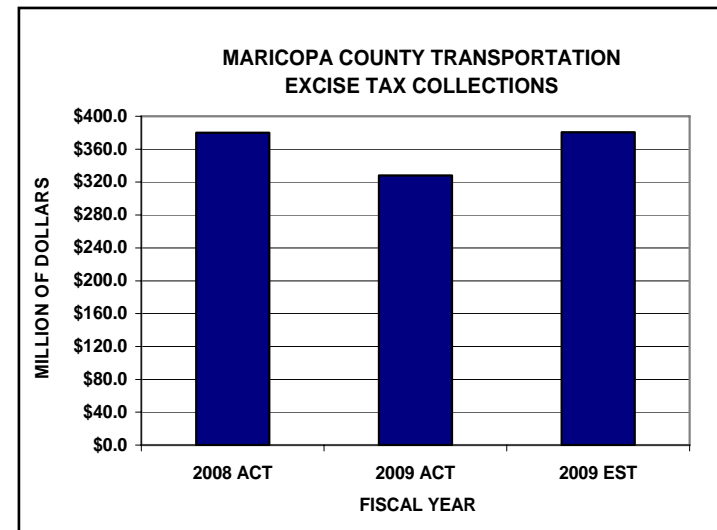
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# MARICOPA COUNTY TRANSPORTATION EXCISE TAX EXECUTIVE SUMMARY

The Maricopa County Transportation Excise Tax, often referred to as the "1/2 cent sales tax" is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300, transportation excise tax revenues were deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account were the principal source of funding for the Regional Freeway System in Maricopa County and were dedicated by statute to the purchase of right-of-way, design and construction of controlled access highways through December 31, 2005. In November 2004, the Maricopa County voters approved Proposition 400, Maricopa County Transportation Excise Tax, which extended the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail.

Fiscal year (FY) 2009 Maricopa County Transportation Excise Tax collections amounted to \$328.2 million, a decrease of 13.7 percent below FY 2008 and 13.7 percent lower than the forecast. This is the second consecutive year that RARF revenues posted negative year-over-year growth and was the worst performance in RARF revenues history. All RARF revenue categories posted year-over-year negative revenue growth. During FY 2009, RARF collections were negatively impacted by the severe recession, higher unemployment and the anemic housing market. Maricopa County consumers spending abilities were curtailed by the tight credit markets and falling home values.



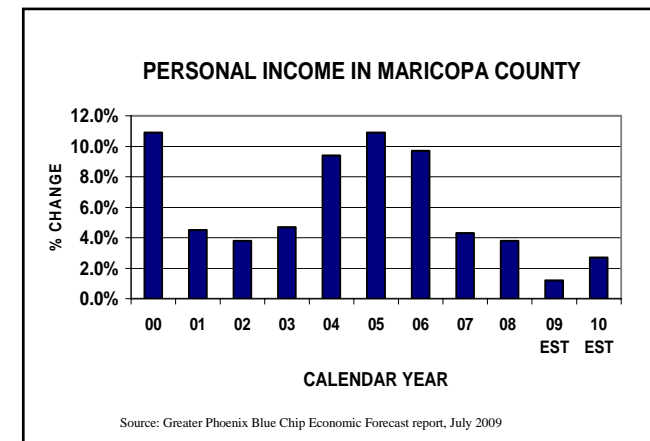
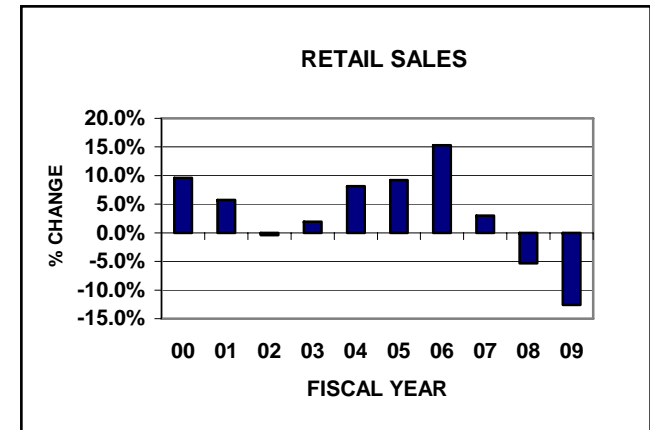
# PERFORMANCE BY CATEGORY

## RETAIL SALES:

FY 2009 retail sales revenue amounted to \$153.7 million, a decrease of 13.6 percent from FY 2008 and 15.7 percent below the estimate. The recession in Maricopa County significantly affected retail sales collections. Faced with job losses and lower household wealth, Maricopa County consumers continued to curb their discretionary spending in FY 2009 even though the prices of food and fuel were lower.

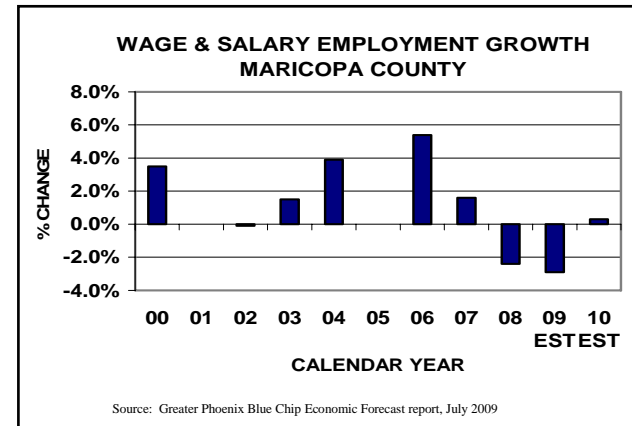
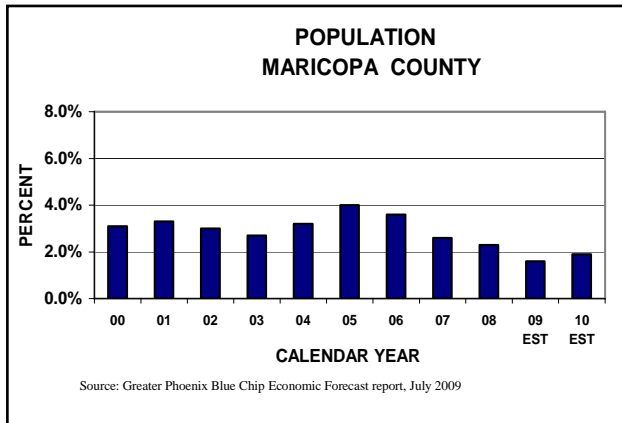
The July 2009 Greater Phoenix Blue Chip report predicts Maricopa County retail sales will decline by 3.1 percent in CY 2009 after a 10.3 percent decrease in CY 2008. CY 2010 is expected to post a 4.1 percent gain after two years of decline.

Maricopa County retail sales are forecast based on three economic indicators - personal income, population and wage and salary employment. The Greater Phoenix Blue Chip expert panel forecast for personal income growth is 1.2 percent in CY 2009 and 2.7 percent in CY 2010. According to the panel members, the estimate for population growth shows an increase of 1.6 percent in CY 2009 and 1.9 percent in CY 2010. This represents the slowest population growth in Maricopa County since 1990. The Maricopa County wage and salary employment growth is estimated to decrease to a negative 2.9 percent in CY 2009 before improving to a positive 0.3 percent in CY 2010.



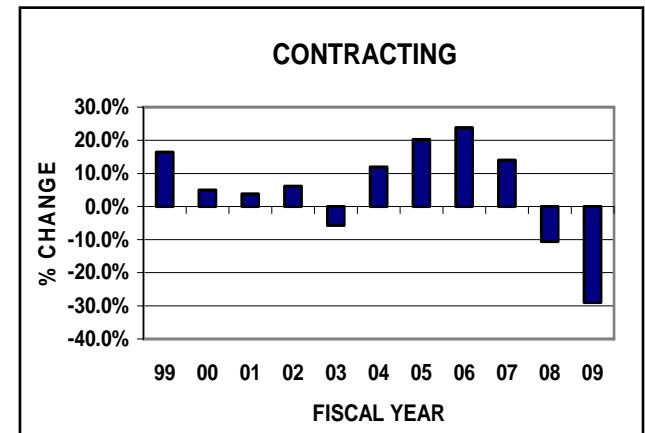
**RETAIL SALES:** Continued

In CY 2008, the economic stimulus rebate checks were mailed to consumers to revive the economy. After the initial boost from the stimulus payments, the economy continued to weaken. In the near term, Maricopa County retail sales will continue to be weak until the employment picture and consumers' confidence improves. On the positive side, food and fuel prices were lower during this fiscal year providing consumers with more disposable income.

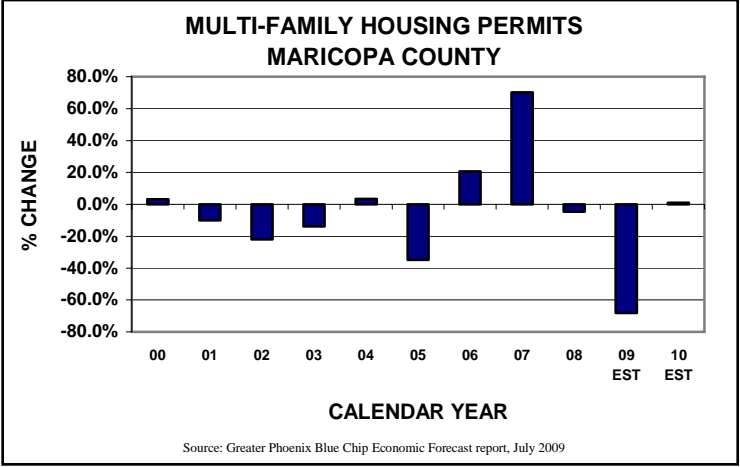
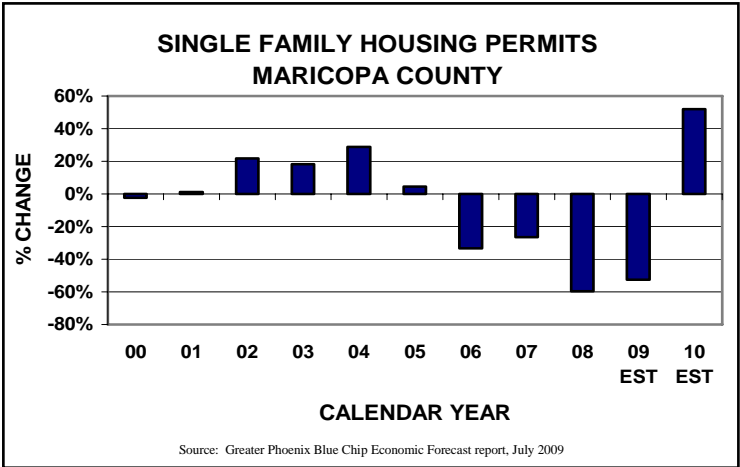


**CONTRACTING:**

Contracting revenues for FY 2009 totaled \$46.9 million, a decrease of 29.0 percent from FY 2008 and 13.5 percent below the estimate. In FY 2009, home foreclosures skyrocketed and building permits plunged as the recession deepened in Maricopa County. Every major employment sector in Maricopa County had job losses over the past year according to the Arizona Department of Commerce which led to slower population growth and lower demand for new construction. Increasing vacancies and decreasing activities in the office, retail and industrial markets sharply impacted the commercial construction sector.



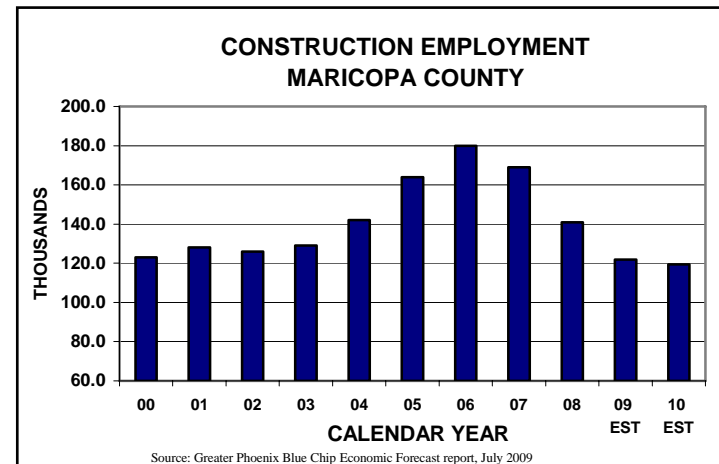
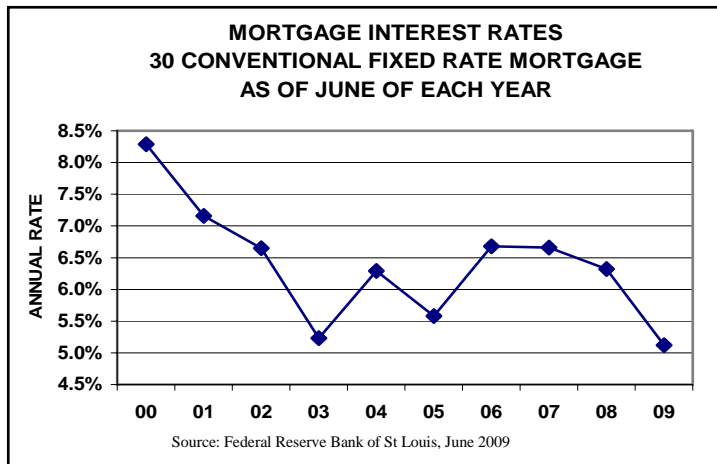
The huge inventory of foreclosed and traditional homes available for sale put a damper on the single-family housing market. According to the Greater Phoenix Blue Chip panel, single-family permits in Maricopa County are expected to continue to decline in CY 2009 with a negative growth rate of 52.5 percent before reversing upward with a positive growth rate of 51.9 percent in CY 2010. The multi-family housing permits decreased by 4.7 percent in CY 2008 and are expected to decline further by another 68.1 percent in CY 2009. However, the panel members do expect a minor uptick in the multi-family apartment sector in CY 2010 with an increase of 1.0 percent. Due to the recession in Maricopa County, vacancy rates for office buildings, retail and industrial spaces are expected to increase in CY 2009. The office building vacancy rate is expected to increase from 19.1 percent in CY 2008 to 24.2 percent in CY 2009. Similarly, the retail vacancy rate was 7.5 percent in CY 2008 and is forecast to increase to 12.9 percent in CY 2009. According to the Greater Phoenix Blue Chip panel, the industrial vacancy rate is expected to increase to 15.2 percent in CY 2009 from 12.5 percent in CY 2008.



The Federal Reserve added liquidity to the financial system to ease the housing and the financial crisis in FY 2009. The Fed pumped over a trillion dollars into the economy to stabilize the financial system and lower mortgage rates. Mortgage rates continued to decline in FY 2009 from FY 2008. The conventional 30-year fixed rate mortgage decreased to 5.4 percent in June 2009 from 6.3 percent in June 2008.

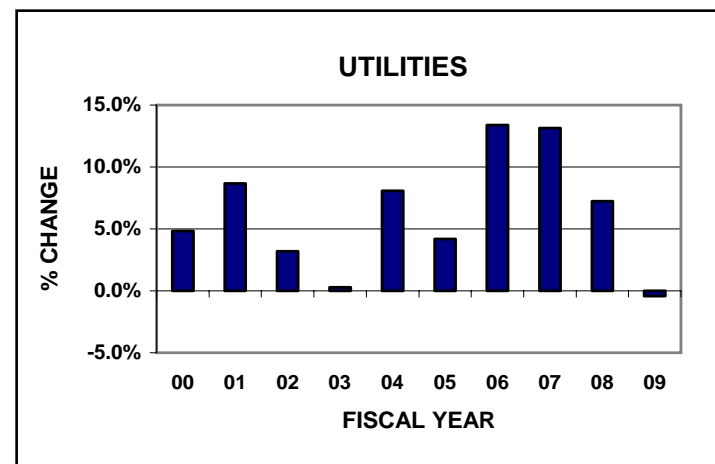
**CONTRACTING: Continued**

In the July 2009 report, the Greater Phoenix Blue Chip panel expects the loss in construction jobs to slow over the next two years with 16.9, 13.6 and 2.0 percent losses in CY 2008, 2009 and 2010, respectively. Maricopa County construction employment peaked at 180,000 jobs in June 2006 and is expected to decrease to an estimated 121,000 jobs in CY 2009.



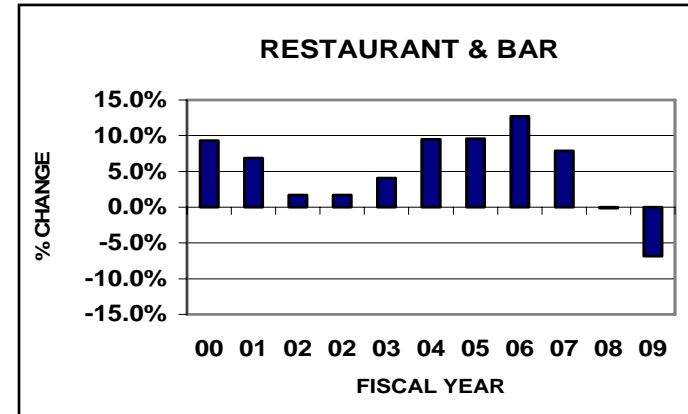
**UTILITIES:**

Utilities tax revenues in FY 2009 totaled \$28.5 million, a decrease of 0.4 percent from FY 2008. Utility collections were 6.8 percent below the forecast. The forecast shortfall can be attributed to milder weather, slower population growth, and the decrease in construction activity. The utility companies did increase their rates in FY 2009 but this did little to boost utility tax revenue.



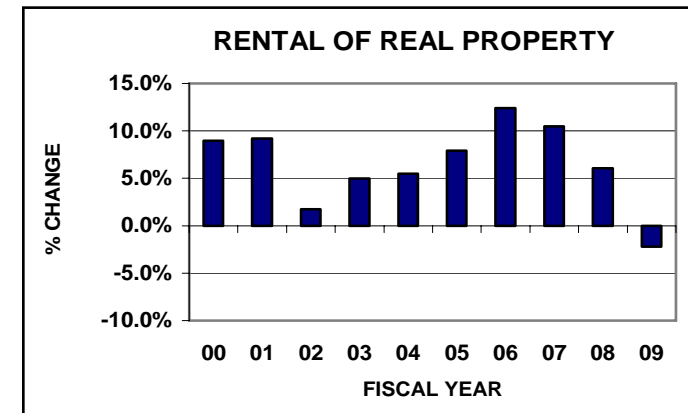
### RESTAURANT AND BAR:

In FY 2009, restaurant and bar collections totaled \$30.8 million compared to \$33.0 million in FY 2008, a decrease of 6.8 percent and 11.3 percent below the forecast. With the economy in a recession and high unemployment, consumers opted to have more meals at home instead of going out to restaurants. In addition, restaurant and bar revenues were negatively affected by the cutback in corporate conventions and business travel.



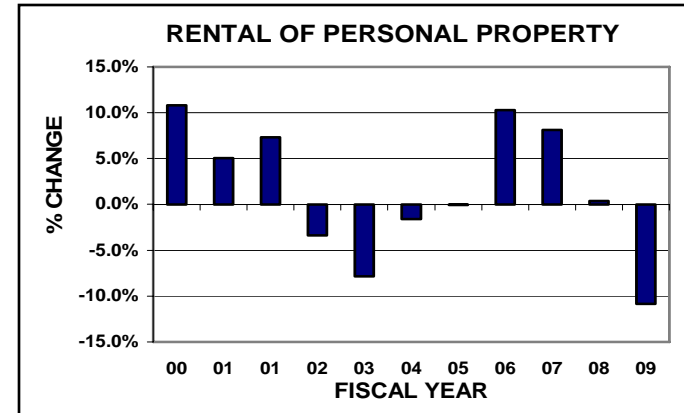
### RENTAL OF REAL PROPERTY:

Rental of real property revenues totaled \$37.7 million, a 2.2 percent decrease below last year and 7.7 percent below the estimate. The rental of real property revenue category was affected by lower hospitality and leisure activities due to the economic downturn as more people were unemployed and consumers curbed their discretionary spending. Hotels and motels were also impacted by fewer corporate conventions and lower business travel. Some of the decline in FY 2009 was due to comparisons to higher revenues generated from Super Bowl fans filling hotel rooms in February 2008.



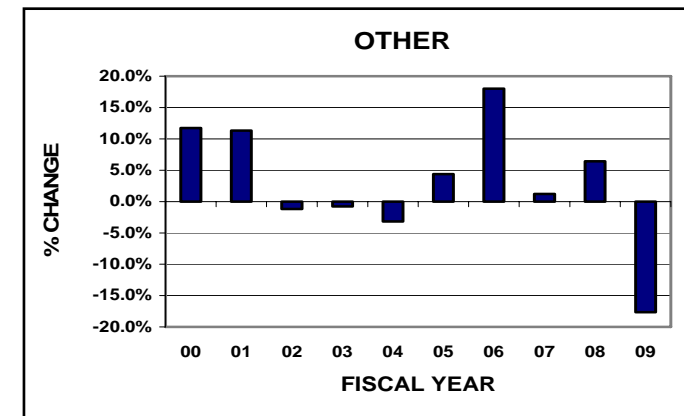
RENTAL OF PERSONAL PROPERTY:

FY 2009 rental of personal property revenues totaled \$13.5 million, a decrease of 10.9 percent from FY 2008 and 14.7 percent below the forecast. This category includes rental vehicles, business and construction equipment leasing and rental of tangible personal properties. This revenue category was sharply impacted by the decreased demand for auto and equipment leasing as the economy plunged into a recession.

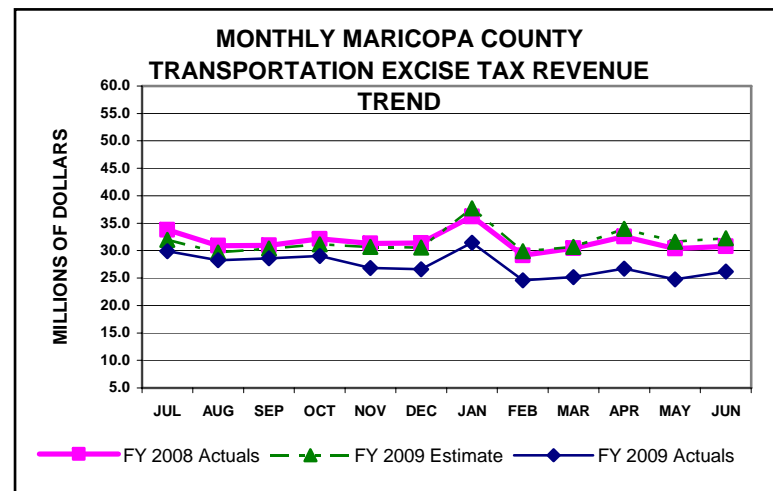
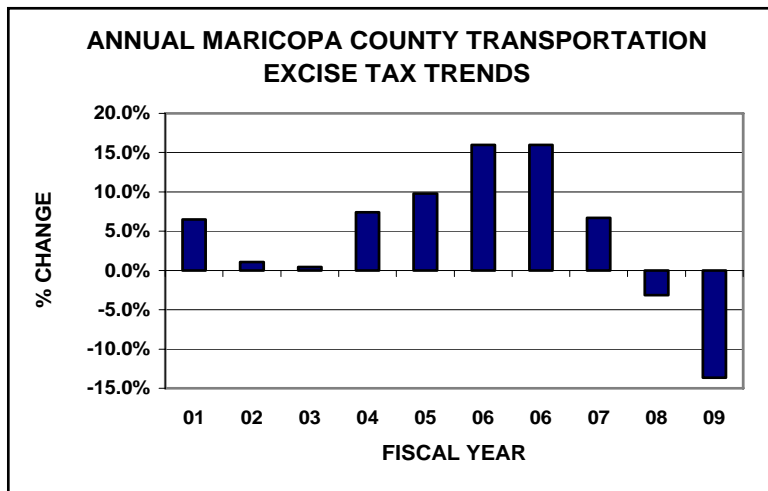


OTHER:

“Other” revenues amounted to \$17.1 million in FY 2009, a decrease of 17.6 percent from last year and 22.1 percent below the estimate. The decrease in FY 2009 was due mainly to the drop in communications and amusement revenues, which are discretionary spending. The “other” revenue category includes collections from towing and transportation, communications, railroad and aircraft, private rail and pipeline, publishing, printing, amusement, jet fuel tax and miscellaneous other revenues.



# REVENUE TREND ANALYSIS



In FY 2009, the Maricopa County Transportation Excise Tax posted its second consecutive negative year-over-year growth. FY 2009 collections were affected by the global recession, weak housing and credit markets, higher unemployment and slower population growth in Maricopa County. Looking forward, economic experts are projecting the recession will bottom by the end of CY 2009 and the economy should start to grow moderately in CY 2010.

The monthly seasonality of the transportation excise tax revenues continues to follow a consistent trend with the spike in the month of January (December collections) due to holiday retail sales. The higher collections in April are due to baseball spring training and winter visitors.

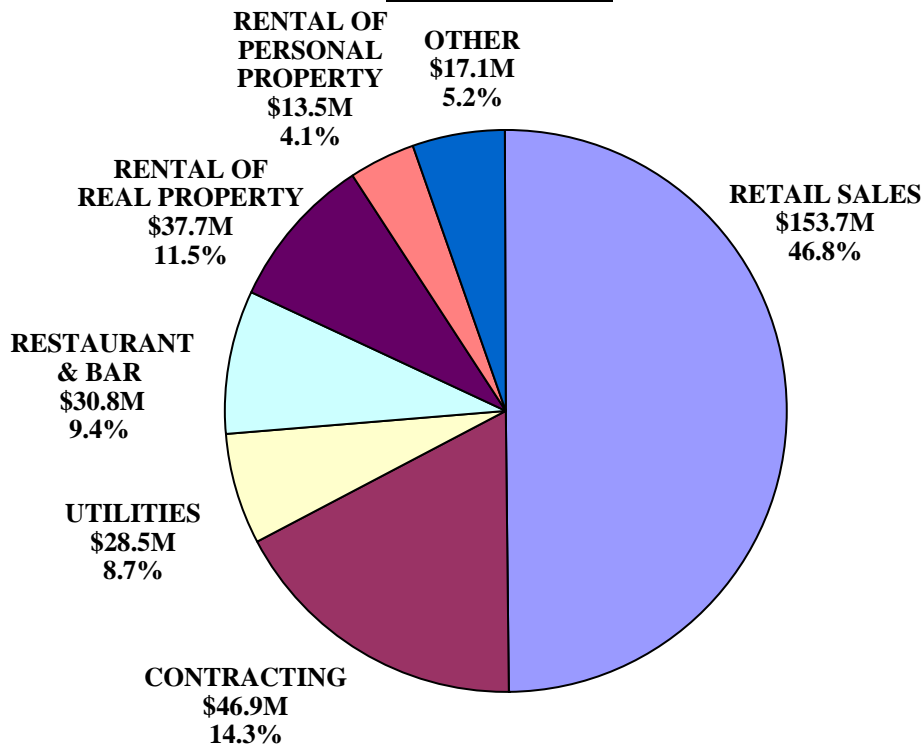
# REVENUE PERFORMANCE

## MARICOPA COUNTY TRANSPORTATION EXCISE TAX

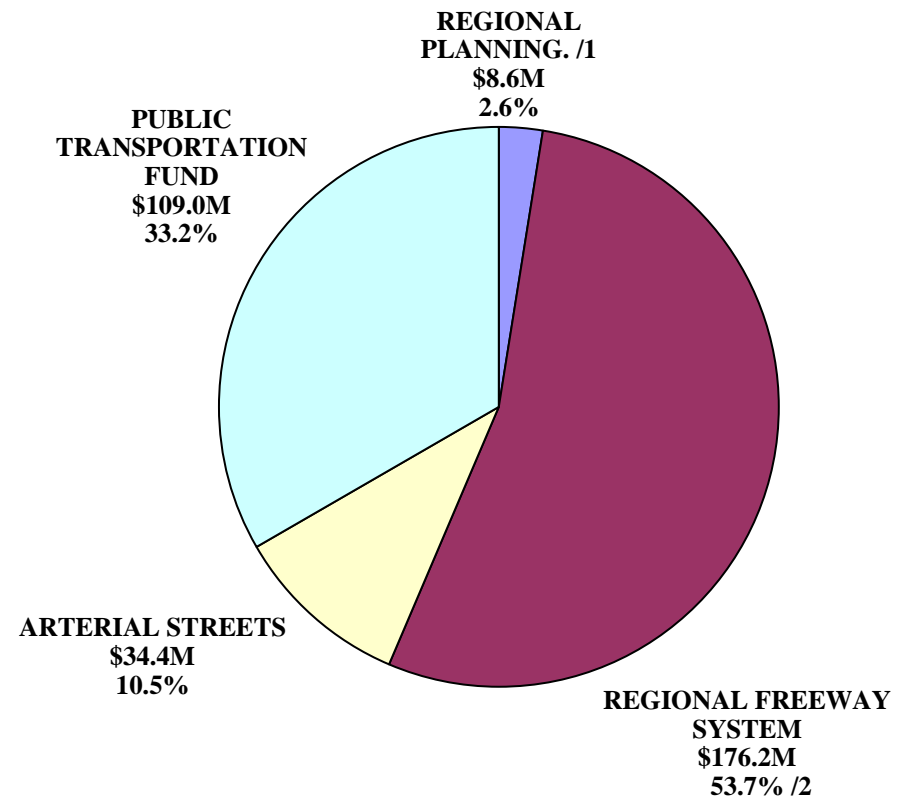
### FY 2009 ACTUAL

**TOTAL= \$328.2 MILLION**

#### SOURCES



#### DISTRIBUTIONS



Note: 1/ Funds split evenly between Maricopa Association of Government and the Public Transportation Fund to be used for planning purposes. 2/ Percentage variance due to Prop. 300 collections. Total may not add due to rounding.

# MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE COMPARISON STATEMENT FY 2009

CATEGORY	FY 2008 ACTUAL	FY 2009 ACTUAL	CHANGE	FY 2009 ESTIMATE	CHANGE
RETAIL SALES	\$177,844,654	\$153,681,000	-13.6%	\$182,300,000	-15.7%
CONTRACTING	\$66,045,770	\$46,865,099	-29.0%	54,200,000	-13.5%
UTILITIES	\$28,629,604	\$28,510,606	-0.4%	30,600,000	-6.8%
RESTAURANT & BAR	\$33,021,064	\$30,762,755	-6.8%	34,700,000	-11.3%
RENTAL OF REAL PROPERTY	\$38,605,418	\$37,757,332	-2.2%	40,900,000	-7.7%
RENTAL OF PERSONAL PROPERTY	\$15,111,170	\$13,469,970	-10.9%	15,800,000	-14.7%
OTHER	\$20,807,875	\$17,138,956	-17.6%	22,000,000	-22.1%
<b>TOTAL</b>	<b>\$380,065,555</b>	<b>\$328,185,718</b>	<b>-13.7%</b>	<b>\$380,500,000</b>	<b>-13.7%</b>

NOTE: Division of collections to business categories is imputed based upon reported taxable income.  
Total may not add due to rounding.

# MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUES COLLECTED BY CATEGORY FY 1986 – 2009 (Dollars in Thousands)

FISCAL YEAR	RETAIL SALES	CONTRACTING	UTILITIES	RESTAURANT & BAR	RENTAL REAL PROPERTY	RENTAL PERSONAL PROPERTY	OTHER	TOTAL	PERCENT CHANGE
1986 *	\$19,244	\$5,716	\$3,073	\$3,682	\$1,923	\$1,733	\$1,615	\$36,986	
1987	48,085	\$14,849	\$8,542	7,579	6,822	4,172	4,782	\$94,831	N/A
1988	51,405	\$14,188	\$9,535	8,379	5,994	4,728	4,961	\$99,190	4.6%
1989	53,927	\$13,947	\$10,336	8,795	8,952	4,883	5,410	\$106,250	7.1%
1990	55,798	\$13,286	\$10,685	9,282	10,808	5,289	5,653	\$110,801	4.3%
1991	56,769	\$12,715	\$11,353	9,655	11,091	5,708	6,044	\$113,335	2.3%
1992	59,108	\$11,688	\$10,999	10,280	11,707	6,043	6,671	\$116,496	2.8%
1993	64,033	\$13,385	\$11,874	11,171	12,993	6,672	7,145	\$127,273	9.3%
1994	72,737	\$17,039	\$12,680	12,166	13,414	7,002	7,808	\$142,846	12.2%
1995	81,546	\$21,107	\$13,132	13,291	14,660	8,198	8,384	\$160,318	12.2%
1996	90,454	\$24,284	\$14,198	14,739	16,822	8,734	9,183	\$178,413	11.3%
1997	96,281	\$26,948	\$14,583	15,821	18,298	10,074	10,252	\$192,257	7.8%
1998	104,073	\$30,610	\$15,101	16,917	19,552	11,539	11,472	\$209,263	8.8%
1999	113,528	\$35,632	\$15,680	18,304	20,266	12,787	13,272	\$229,470	9.7%
2000	124,428	\$37,384	\$16,437	20,005	22,080	13,434	14,827	\$248,596	8.3%
2001	131,608	\$38,820	\$17,862	21,395	24,112	14,416	16,510	\$264,722	6.5%
2002	131,393	\$41,218	\$18,432	21,748	24,529	13,928	16,314	\$267,563	1.1%
2003	133,922	\$38,894	\$18,485	22,646	25,747	12,834	16,192	\$268,721	0.4%
2004	144,817	\$43,524	\$19,980	24,807	27,163	12,631	15,678	\$288,600	7.4%
2005	158,179	\$52,325	\$20,813	27,191	29,310	12,624	16,364	\$316,806	9.8%
2006	182,378	\$64,822	\$23,600	30,656	32,949	13,923	19,309	\$367,637	16.0%
2007	187,817	\$73,864	\$26,697	33,073	36,398	15,053	19,548	\$392,452	6.7%
2008	177,844.7	66,045.7	\$28,630	33,021.1	38,605.4	15,111.2	20,807.9	\$380,066	-3.2%
2009	153,681	\$46,865	\$28,511	30,763	37,757	13,470	17,139	\$328,186	-13.7%
<b>TOTAL</b>	<b>\$2,493,055</b>	<b>\$759,156</b>	<b>\$381,217</b>	<b>\$425,367</b>	<b>\$471,954</b>	<b>\$234,987</b>	<b>\$275,342</b>	<b>\$5,041,078</b>	

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 2009) = 5.8%

\*The tax (Prop. 300) became effective January 1, 1986 and was extended (Prop. 400) on January 1, 2006 for another 20 years.

Total may not add due to rounding.

# MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE DISTRIBUTION FY 1986 – 2009

(Dollars in Thousands)

FISCAL YEAR	REGIONAL AREA ROAD FUND			PUBLIC TRANSPORTATION FUND	TOTAL
	FREEWAYS	RPTA/MAG /2	ARTERIAL STREETS		
1986/1	\$36,986				\$36,986
1987	89,831	\$5,000			94,831
1988	94,056	5,135			99,190
1989	100,963	5,287			106,250
1990	105,325	5,477			110,801
1991	107,652	5,683			113,335
1992	110,579	5,917			116,496
1993	121,141	6,132			127,273
1994	136,553	6,293			142,846
1995	153,864	6,454			160,318
1996	171,826	6,587			178,413
1997	185,507	6,750			192,257
1998	202,380	6,883			209,263
1999	222,450	7,020			229,470
2000	241,505	7,091			248,596
2001	257,529	7,194			264,722
2002	260,222	7,341			267,563
2003	261,219	7,502			268,721
2004	281,012	7,588			288,600
2005	309,092	7,713			316,806
2006/3	292,487	7,877	\$16,127	\$51,146	367,637
2007	213,119	8,095	41,050	130,188	392,452
2008	205,576	8,334	39,832	126,324	380,066
2009	176,235	8,555	34,376	109,020	328,186
Total	\$4,337,107	\$155,909	\$131,385	\$416,678	\$5,041,078

- Notes: 1/ The Maricopa County transportation excise tax became effective on January 1, 1986 per Prop. 300. Prop. 300 collections total \$3,789,793,000 but will change due to adjustments, refunds and audits occur.
- 2/ The Regional Public Transportation Authority received a portion of the excise tax funds for transit costs through December 31, 2006. On January 1, 2007 these funds are distributed evenly to the Maricopa Association of Governments and the Public Transportation Fund to be used for planning purposes per Prop. 400. These funds are netted from the Freeway funds.
- 3/ The Prop. 400 became effective on January 1, 2006 and the distributions are as follows: Freeways, 56.2%; Arterial Streets, 10.5%; and Public Transportation Fund, 33.3%. Prop. 400 collections total \$1,251,285,000 from date of inception.
- 4/ Total may not add due to rounding.

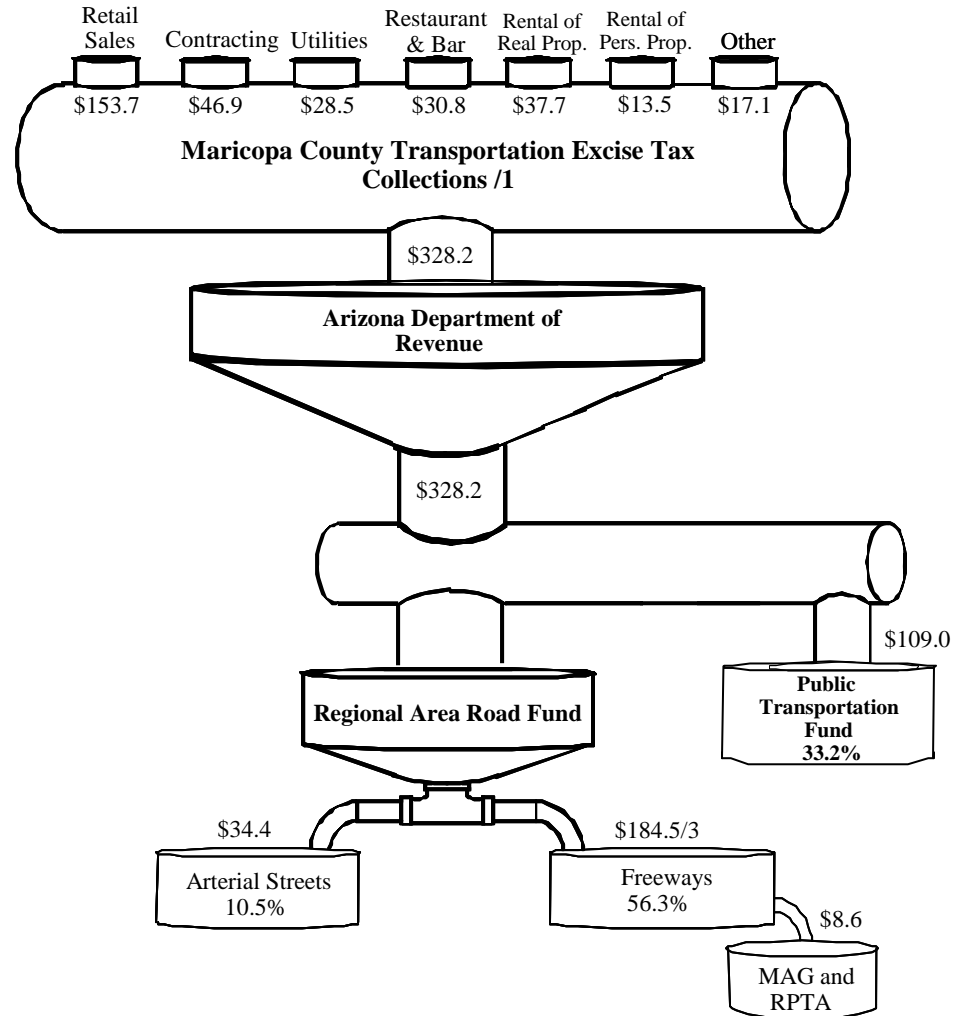
# ARIZONA TRANSACTION PRIVILEGE TAX EXCISE TAX RATES FY 2009

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	46.83%	5.00%	0.50%
Contracting	14.28%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	11.50%	1.82% *	0.512%
Restaurants and Bars	9.37%	5.00%	0.50%
Utilities	8.69%	5.00%	0.50%
Rental of Personal Property	4.10%	5.00%	0.50%
Communication	2.99%	5.00%	0.50%
Amusements	1.19%	5.00%	0.50%
Publishing and Printing	0.49%	5.00%	0.50%
Other	0.56%	5.00%	0.50%
Mining	0.00%	3.125%	0.3125%
Wholesale Feed	0.00%	0% **	0.00%

\* In 1990 and 1993, legislation reduced the transaction privilege tax rate for real property rentals; however, for transportation excise tax purposes, the rate was retained at its prior level.

\*\* In 1994, legislation repealed the transaction privilege tax for livestock and poultry feed, salts, vitamins and other additives for livestock and poultry. The tax rate was reduced to zero on July 17, 1994 and then the tax classification was repealed on October 1, 1994.

# MARICOPA COUNTY TRANSPORTATION EXCISE TAX FY 2009 ACTUAL REVENUE DISTRIBUTION FLOW (Millions of Dollars)



**NOTES:**

/1. Prop 300 expired on December 31, 2005 and Prop. 400 became effective on January 1, 2006. FY 2009 collections and distributions are a mix of both Prop. 300 and Prop. 400. Prop. 300 monies will continue over time due to adjustments, refunds and audits.

/2. Under Prop. 400, the Regional Area Road Fund (ADOT) receives the Freeways 56.2% and the Arterial Streets 10.5% revenues. MAG programs projects for the Arterial Streets 10.5% monies and then bills ADOT for the costs.

/3. A portion of the Freeways 56.2% monies are distributed equally to MAG and the Public Transportation Fund to be used for planning purposes.

# REVENUE CATEGORY DEFINITIONS

<b>RETAIL SALES</b>	Includes retail sales of automobiles, durable goods and other general merchandise, apparel, building materials, furniture and other tangible personal property. The tax on food was repealed in July, 1980.
<b>CONTRACTING</b>	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
<b>UTILITIES</b>	Includes producing and/or furnishing to consumers electricity, natural or artificial gas and water.
<b>RESTAURANT AND BAR</b>	Includes operations of restaurants and drinking establishments.
<b>RENTAL OF REAL PROPERTY</b>	Includes leasing or renting real property, hotels and motels.
<b>RENTAL OF PERSONAL PROPERTY</b>	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
<b>OTHER</b>	Includes intrastate transportation of persons, freight or operations of property, intrastate telecommunication services, intrastate operation of pipelines for oil or natural or artificial gas, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, operations of amusement places and miscellaneous other revenues