

**MARICOPA REGIONAL AREA ROAD FUND
TRANSPORTATION EXCISE TAX
FISCAL YEAR 1999
YEAR-END REPORT**



PREPARED BY:

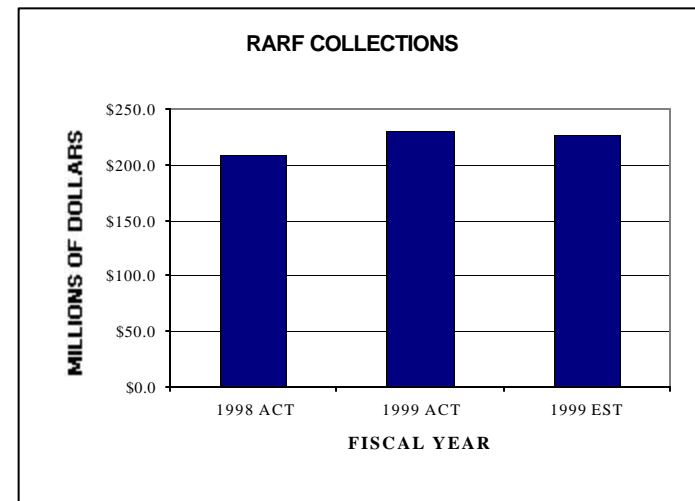
**ARIZONA DEPARTMENT OF TRANSPORTATION
FINANCIAL MANAGEMENT SERVICES
OFFICE OF FINANCIAL PLANNING
AUGUST 1999**

REGIONAL AREA ROAD FUND MARICOPA TRANSPORTATION EXCISE TAX EXECUTIVE SUMMARY

In October 1985, the voters of Maricopa County approved the Maricopa County Transportation Excise Tax, a tax which may equal up to ten percent of the State transaction privilege tax rates. This 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. The transportation excise tax revenues are 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 are the principal source of funding for the Regional Freeway System in Maricopa County and are dedicated by statute to the purchase of right-of-way, design and construction of controlled access highways. The "1/2 cent sales tax" is expected to yield \$3.6 billion for the period January 1986 through December 2005.

For Fiscal Year (FY) 1999, Maricopa County transportation excise tax collections totaled \$229.5 million, an increase of 9.7 percent over the FY 1998 revenue level. When compared to the forecast, collections exceeded the estimate by 1.1 percent. The collections growth has moderated from a high of 12.2 percent in FY 1995 to 8.8 percent in FY 1998 and 9.7 percent in FY 1999.

On a percent basis, business activities providing the most growth over last year's revenues were contracting at 16.2 percent and retail sales at 9.2 percent. Restaurant and bar revenues experienced growth of 8.5 percent. These growth levels were mainly attributable to high consumer confidence, increases in employment, personal income and population.

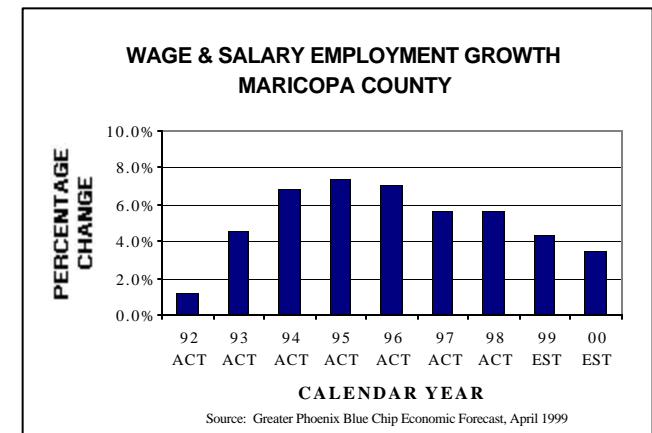
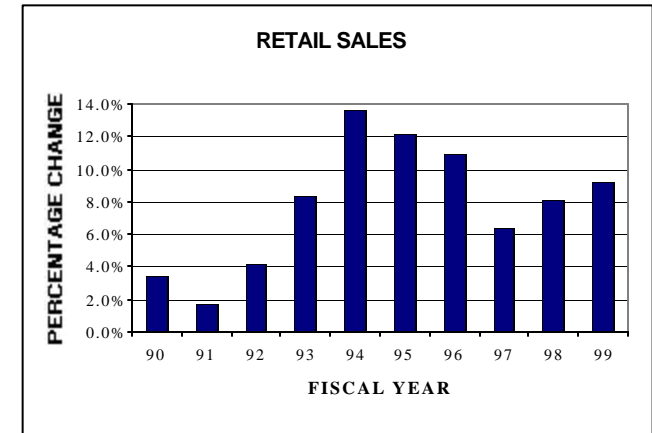


PERFORMANCE BY CATEGORY

RETAIL SALES:

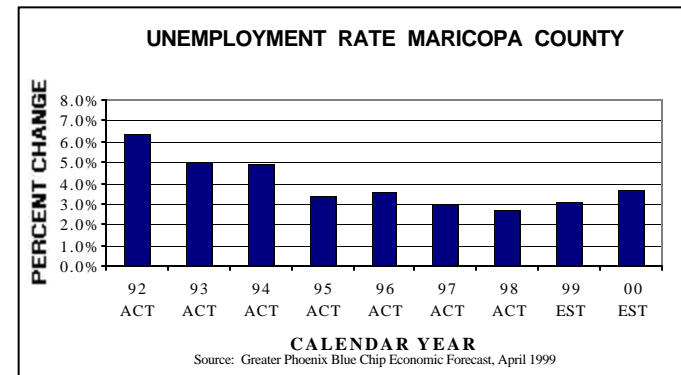
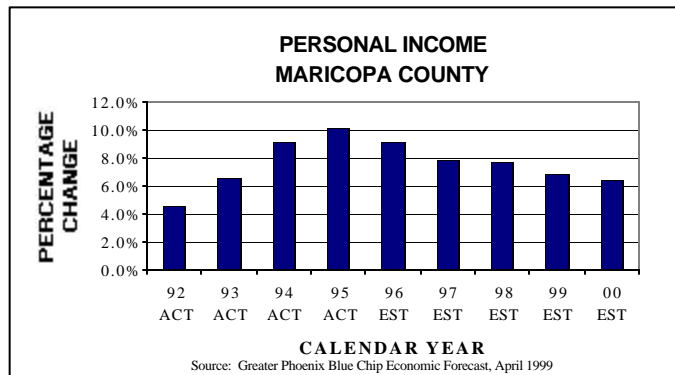
Retail sales collections for FY 1999 totaled \$113.7 million, an increase of 9.2 percent or \$9.6 million over the FY 1998 revenue level. Retail sales collections finished the year 3.1 percent above the forecast. This revenue category continues to represent the largest component of excise tax collections, contributing just under 50 percent of the total tax receipts in FY 1999. Historically, tax revenues from retail sales have maintained positive growth. In FY 1999, the sectors most strongly contributing to retail sales growth were motor vehicle dealers, apparel and accessory stores, and building material and mobile home dealers.

From a high of 13.6 percent growth in FY 1994, retail sales dropped to a still healthy 6.4 percent growth rate in FY 1997. Retail sales have since rebounded to 9.2 percent growth in FY 1999. This growth has been a product of strength in wage and salary employment, population and personal income growth, and low interest rates. The Greater Phoenix Blue Chip forecast for wage and salary employment growth is estimated to be 4.3 percent in Calendar Year (CY) 1999 and 3.5 percent in CY 2000. Although there is an expected slowdown in wage and salary employment growth compared to CY 1997 and CY 1998, retail sales growth is expected to remain healthy in the near future.



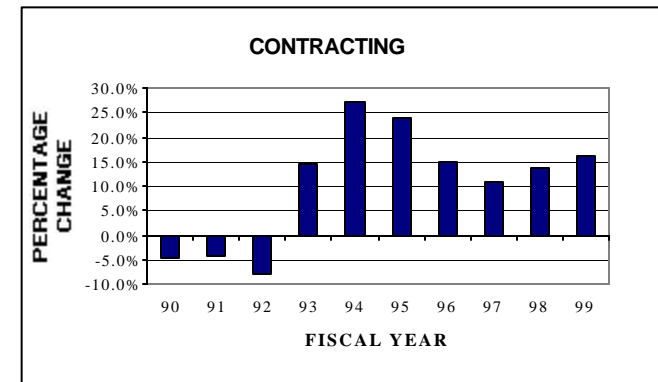
RETAIL SALES: Continued

The projected growth in personal income is forecast to be 6.9 percent and 6.4 percent in CY 1999 and CY 2000, respectively. Personal income growth in Maricopa County in CY 1998 was estimated at 7.7 percent, compared to 7.9 percent for CY 1997. The unemployment rate steadily decreased in Maricopa County to 2.7 percent in CY 1998 from 6.4 percent in CY 1992. However, the estimated unemployment rates for Maricopa County in CY 1999 and CY 2000 are expected to move slightly upward to 3.1 percent and 3.7 percent, respectively. The Blue Chip Economic Forecast estimates retail sales in Maricopa County will increase by 6.1 percent in CY 1999 and 5.4 percent in CY 2000.



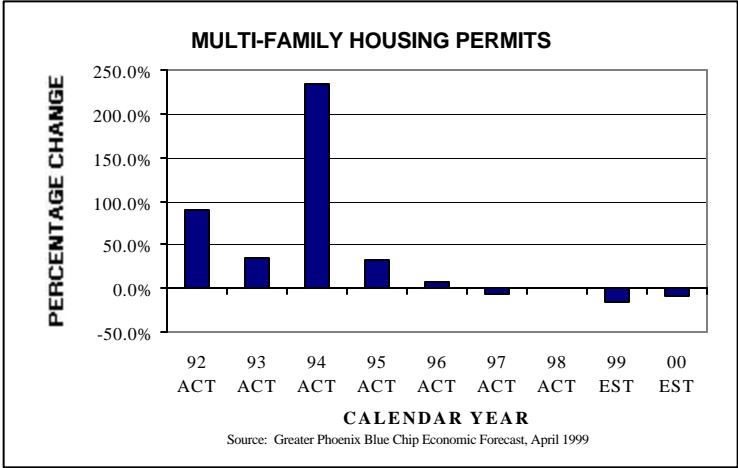
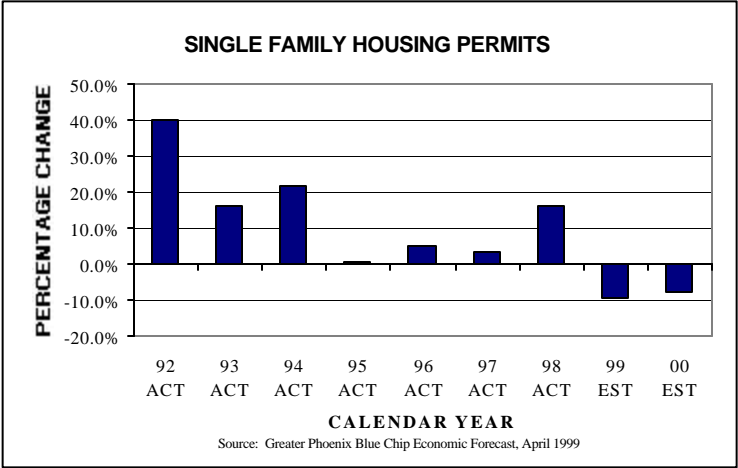
CONTRACTING:

In FY 1999, contracting collections totaled \$35.6 million. This represented a 16.2 percent increase over the FY 1998 revenue level. Contrary to expectations, stronger than anticipated growth occurred in FY 1999 due to low interest rates and a strong economy which drove continued strength in the single family housing and commercial sector. When compared to the forecast, contracting collections surpassed the estimate by 7.8 percent in FY 1999. This revenue category is the second largest of the excise tax collection categories and has posted growth rates over ten percent in each year of the last seven fiscal years.



CONTRACTING: Continued

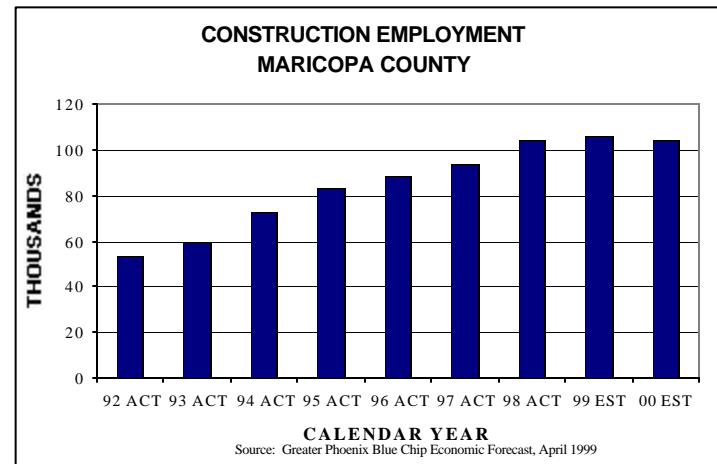
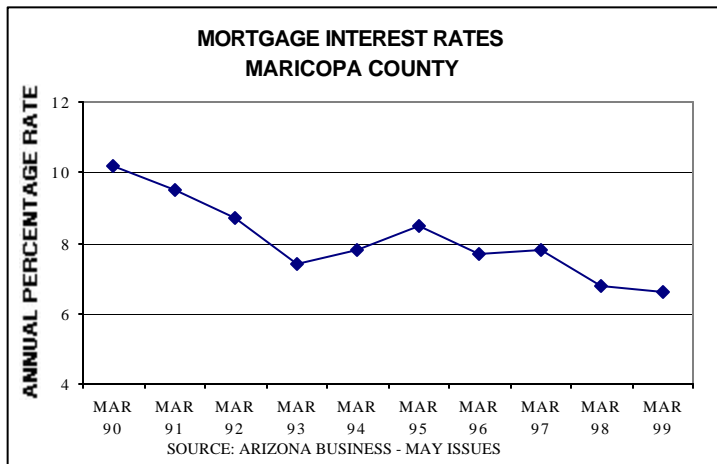
According to the Greater Phoenix Blue Chip Newsletter, Maricopa County single-family housing permits increased by 16.1 percent in CY 1998, compared to 3.4 percent in CY 1997. Although the forecast for CY 1999 and 2000 calls for decreases of 9.6 and 7.6 percent, recent news suggests growth may be stronger in CY 1999 than anticipated. Construction activity in the multi-family sector saw a 0.7 percent decrease in CY 1998 from the CY 1997 level. In CY 1997, the multi-family category decreased by 7.1 percent. The multi-family housing sector is expected to decrease by 16.0 percent in CY 1999 and 8.8 percent in CY 2000. Vacancy rates are expected to increase moderately in CY 1999 and 2000.



In FY 1999, the contracting sector benefited from lower interest rates, strong population growth and high consumer confidence. Interest rates dropped significantly by the end of the second quarter of the 1999 fiscal year, and remained stable through the last half of the fiscal year. In May 1999, the interest rate for a conventional 30 year fixed rate mortgage was 6.8 percent, up from 6.4 percent in December 1998. The up tick in interest rates is expected to dampen house sales only slightly. Historically low interest rates have fueled the continued growth seen in the Phoenix housing market and around the country. The construction employment sector continues to see growth as a result of increased housing and commercial real estate construction.

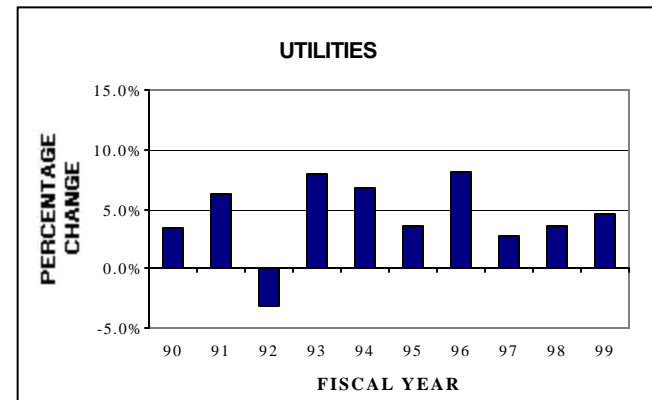
CONTRACTING: Continued

Total construction employment reached 104,300 in CY 1998, compared to 93,400 in CY 1997. The forecast for construction employment shows a slight increase to 105,760 in CY 1999 with gains reversing in CY 2000. The decrease is due to declining rates of population and employment growth anticipated for 1999 and 2000. With the decline in the single-family and multi-family housing categories during CY 1999 and 2000, growth in construction employment will be limited to the commercial and industrial construction sectors.



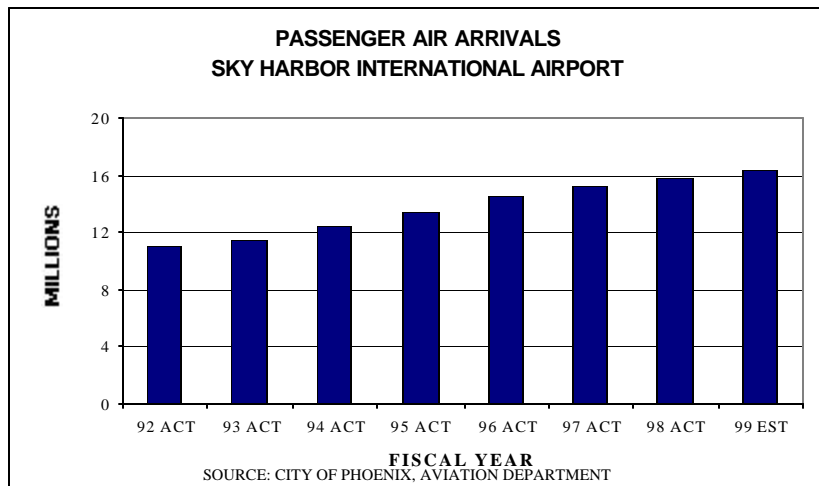
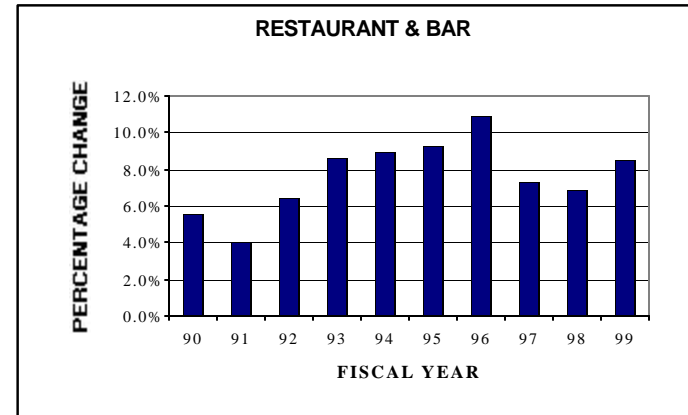
UTILITIES:

Utility tax receipts totaled \$15.8 million in FY 1999, compared to \$15.1 million for the FY 1998. This amounts to a 4.5 percent increase over the FY 1998 level. Utility tax revenues finished 5.9 percent below the estimate in FY 1999. A relatively mild summer and reductions in electric rates contributed to the lower than estimated utility tax collections during FY 1999.



RESTAURANT AND BAR:

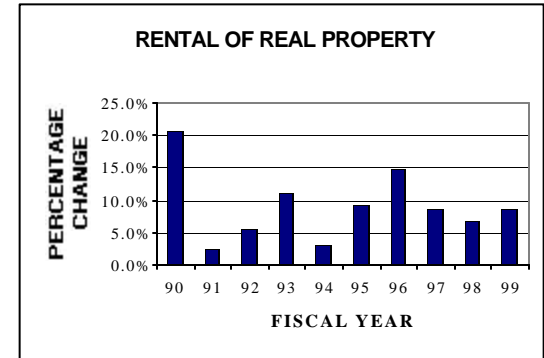
Restaurant and bar receipts increased to \$18.4 million in FY 1999, compared to \$16.9 million in FY 1998. This amounts to an 8.5 percent increase over FY 1998 revenue. When compared to the forecast, restaurant and bar collections were 2.7 percent below the estimate. The increase in restaurant and bar receipts was driven by strong personal income growth and continued increases in population.



Another factor spurring the increase in restaurant and bar revenues is the steady growth of passenger air arrivals at Sky Harbor International Airport. In FY 1999, the number of air arrivals increased 3.2 percent over FY 1998. The increase is attributable to increased business travel and lower airfares. Tourism is expected to continue to be an important factor for Maricopa County due to the climate, positive exposure associated with major sporting events and attractive tourist locations in the county and state. The strong national economy has also attributed to increased tourism in Maricopa County.

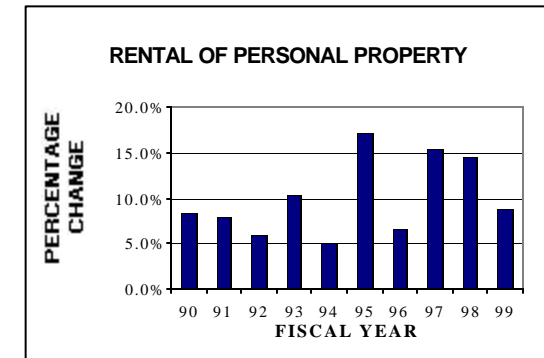
RENTAL OF REAL PROPERTY:

Rental of real property revenues totaled \$21.2 million in FY 1999, compared to \$19.6 million in FY 1998. This amounts to an 8.6 percent increase over FY 1998. When compared to the forecast, rental of real property receipts were on target at 0.5 percent above the forecast. It should be noted that the sharp increase in 1990 was due to a change in the rental of real property tax. The growth in recent years can be attributed to increased population, personal income and tourism.



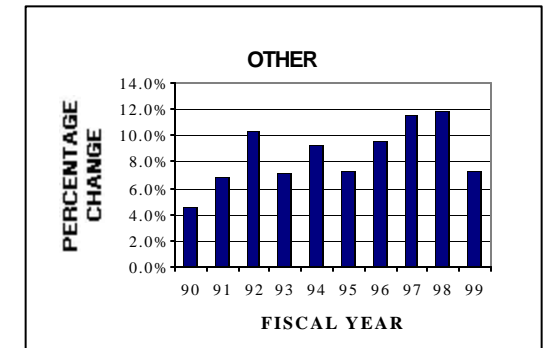
RENTAL OF PERSONAL PROPERTY:

In FY 1999, rental of personal property collections were \$12.5 million, an increase of 8.7 percent over FY 1998. This growth can be attributed to continued consumer and business demand for leased cars and equipment rental, such as construction equipment or home appliances. Rental of personal property collections were 12 percent below the estimate in FY 1999.

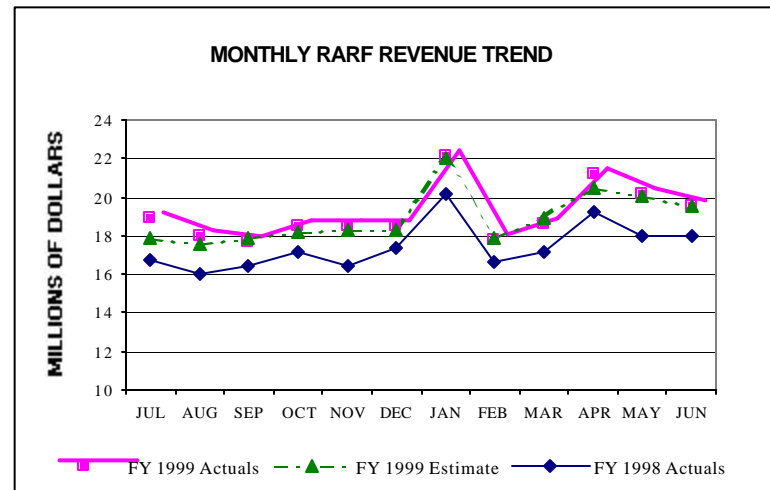
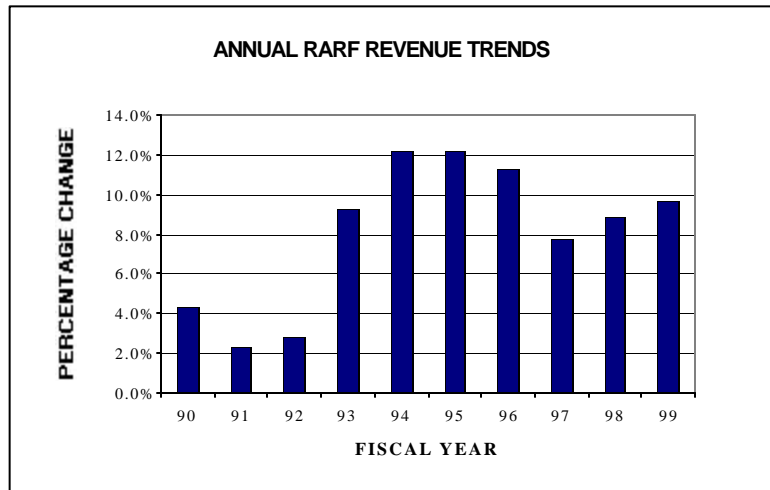


OTHER:

"Other" revenues for FY 1999 reached \$12.3 million, an increase of 7.3 percent over the FY 1998 total. When compared to the forecast, "other" revenues were 2.6 percent below the estimate. The "other" revenue category includes amusements, communications, publishing and printing, advertising, transportation and towing, pipelines for oil and gas, private cars and mining. These items are influenced by the overall level of business activity in the Valley. Historically, this category has maintained strong growth on a year-to-year basis primarily because of general overall strength in the economy.



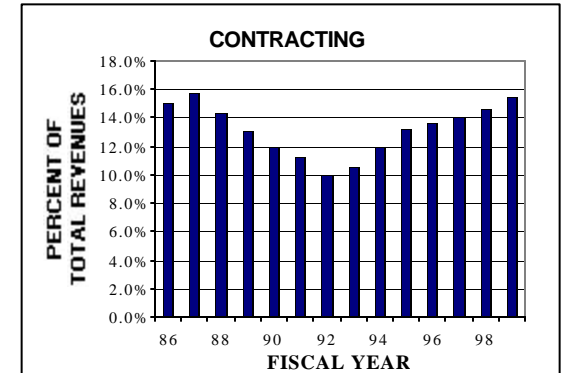
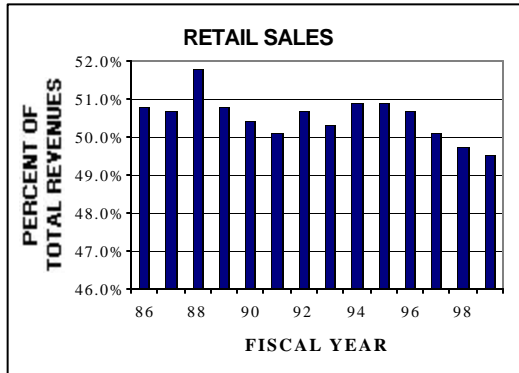
REVENUE TREND ANALYSIS



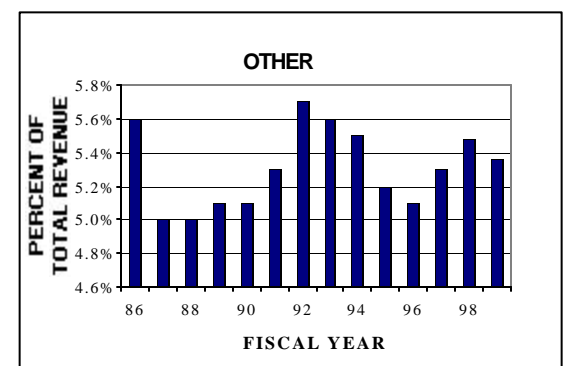
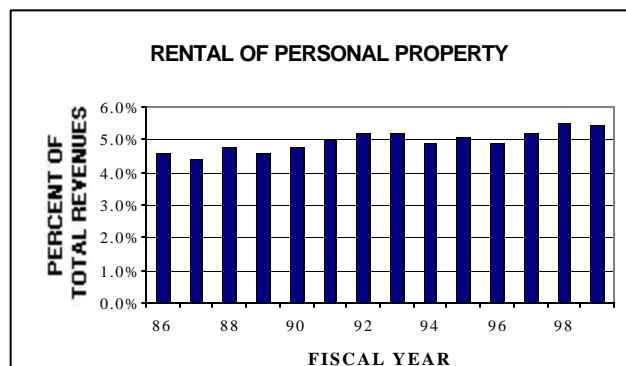
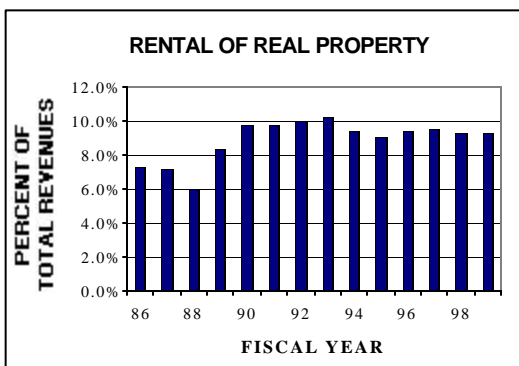
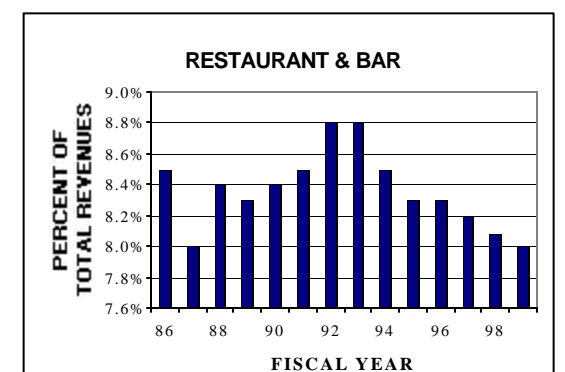
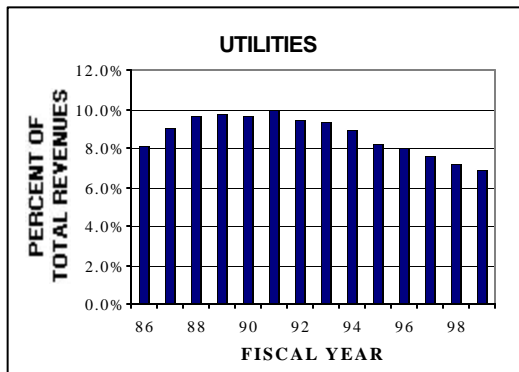
In FY 1999, transportation excise tax collections reached \$229.5 million, compared to \$209.3 million in FY 1998. All revenue categories showed increases over last year’s revenue levels. Lower interest rates and strong personal income and population growth are some of the factors that have affected the revenue growth in recent years. The Maricopa County economy continues to become more diversified with strong growth in the high technology and financial sectors.

On a monthly basis, RARF revenue continues to follow consistent trends in estimated and previous year collections with sharp increases in revenues in the month of January due to Christmas retail sales.

REVENUE COMPOSITION COMPARISON



Retail sales is the largest component of the excise tax collections, generating just under 50 percent of total revenues. This revenue category has consistently tracked around 50 percent since the inception of the excise tax in FY 1986. The second largest category is contracting, representing 15.5 percent of total RARF collections. In FY 1999, with the exception of contracting which grew by 0.9 % as a percentage of total revenue, all categories remained nearly unchanged in their proportion of revenue contributed to total RARF revenue.



REVENUE PERFORMANCE

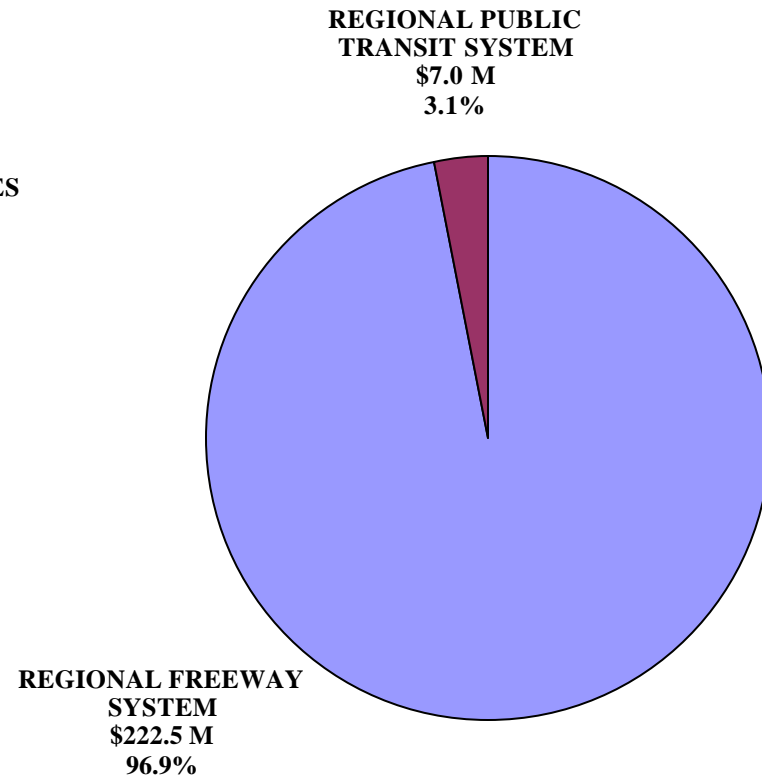
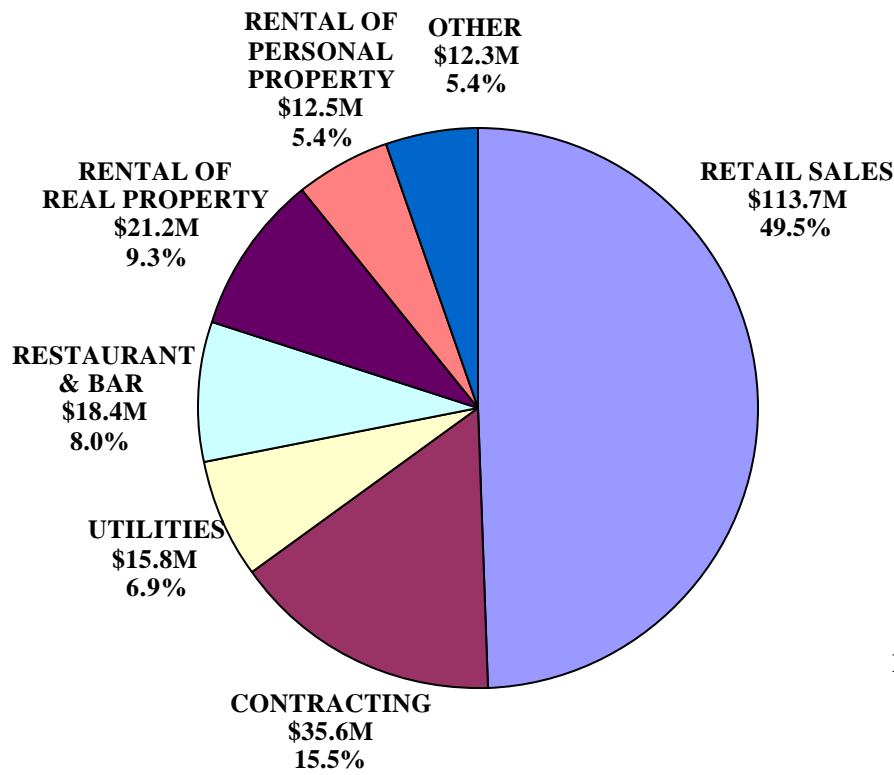
MARICOPA COUNTY TRANSPORTATION EXCISE TAX

FY 1999 ACTUAL

TOTAL= \$229.5 MILLION

SOURCES

DISTRIBUTIONS



**MARICOPA COUNTY REGIONAL AREA ROAD FUND
TRANSPORTATION EXCISE TAX
REVENUE COMPARISON STATEMENT
FY 1999**

CATEGORY	FY 1998 ACTUAL	FY 1999 ACTUAL	CHANGE	FY 1999 ESTIMATE	CHANGE
RETAIL SALES	\$104,072,752	\$113,677,084	9.2%	\$110,269,994	3.1%
CONTRACTING	30,610,453	35,574,142	16.2%	33,000,000	7.8%
UTILITIES	15,100,775	15,784,238	4.5%	16,770,001	-5.9%
RESTAURANT & BAR	16,916,822	18,357,658	8.5%	18,870,001	-2.7%
RENTAL OF REAL PROPERTY	19,551,645	21,227,408	8.6%	21,130,001	0.5%
RENTAL OF PERSONAL PROPERTY	11,539,117	12,540,965	8.7%	14,250,000	-12.0%
OTHER	11,471,893	12,308,706	7.3%	12,640,001	-2.6%
TOTAL	\$209,263,457	\$229,470,201	9.7%	\$226,929,998	1.1%

NOTE: DIVISION OF COLLECTIONS TO BUSINESS CATEGORIES IS IMPUTED BASED UPON REPORTED TAXABLE INCOME.

**MARICOPA COUNTY REGIONAL AREA ROAD FUND
TRANSPORTATION EXCISE TAX
REVENUES COLLECTED BY CATEGORY
FY 1986 - 1999
(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	
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	113,677	35,574	15,784	18,358	21,227	12,541	12,309	229,470	9.7%
TOTAL	\$967,136	\$255,336	\$161,875	\$160,115	\$174,263	\$97,316	\$101,689	\$1,917,730	

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 1999) = 7.6%

*The tax became effective January 1, 1986

ARIZONA TRANSACTION PRIVILEGE TAX

EXCISE TAX RATES

FY 1999

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	49.54%	5.00%	0.50%
Contracting	15.50%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	9.25%	1.82%*	0.512%
Utilities	6.88%	5.00%	0.50%
Restaurants and Bars	8.00%	5.00%	0.50%
Rental of Personal Property	5.47%	5.00%	0.50%
Communication	3.24%	5.00%	0.50%
Publishing and Printing	0.93%	5.00%	0.50%
Amusements	1.09%	5.00%	0.50%
Other	0.11%	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.

REVENUE CATEGORY DEFINITIONS

RETAIL SALES	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.
CONTRACTING	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
UTILITIES	Includes producing and/or furnishing to consumers electricity, natural or artificial gas and water.
RESTAURANT AND BAR	Includes operations of restaurants and drinking establishments.
RENTAL OF REAL PROPERTY	Includes leasing or renting real property, hotels and motels.
RENTAL OF PERSONAL PROPERTY	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
OTHER	Includes operations of amusement places, intrastate telecommunication services, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, intrastate transportation of persons, freight or property, intrastate operation of pipelines for oil or natural or artificial gas, and intrastate operation of private car lines.