

Revenue and Funding Update: A Perfect Storm?

Roads and Streets
April 10, 2009



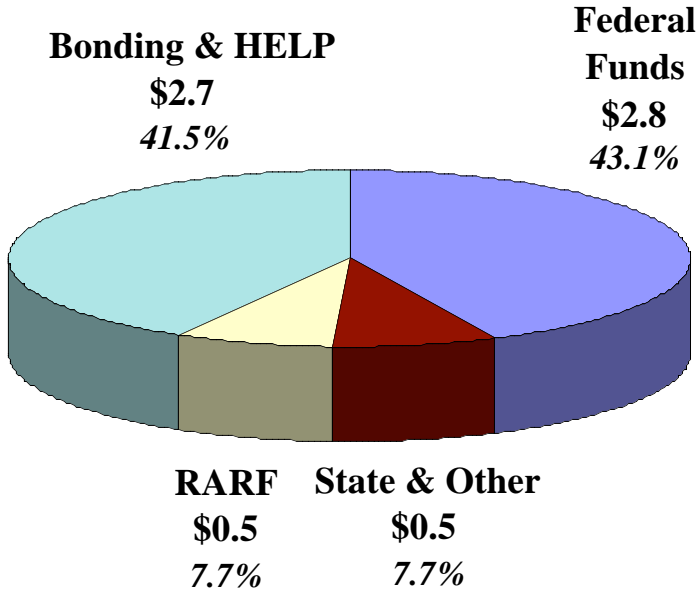
**Where did
we start
the year?**



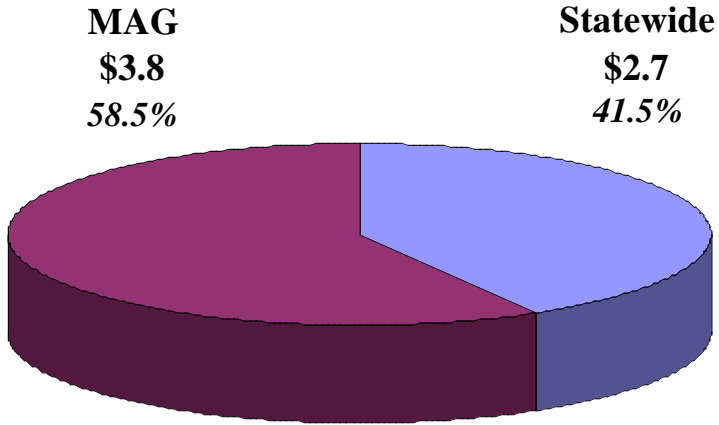
HIGHWAY CONSTRUCTION PROGRAM FINANCIAL OVERVIEW

**FY 2009 - 2013
Total: \$6.5 Billion**

Sources



Uses

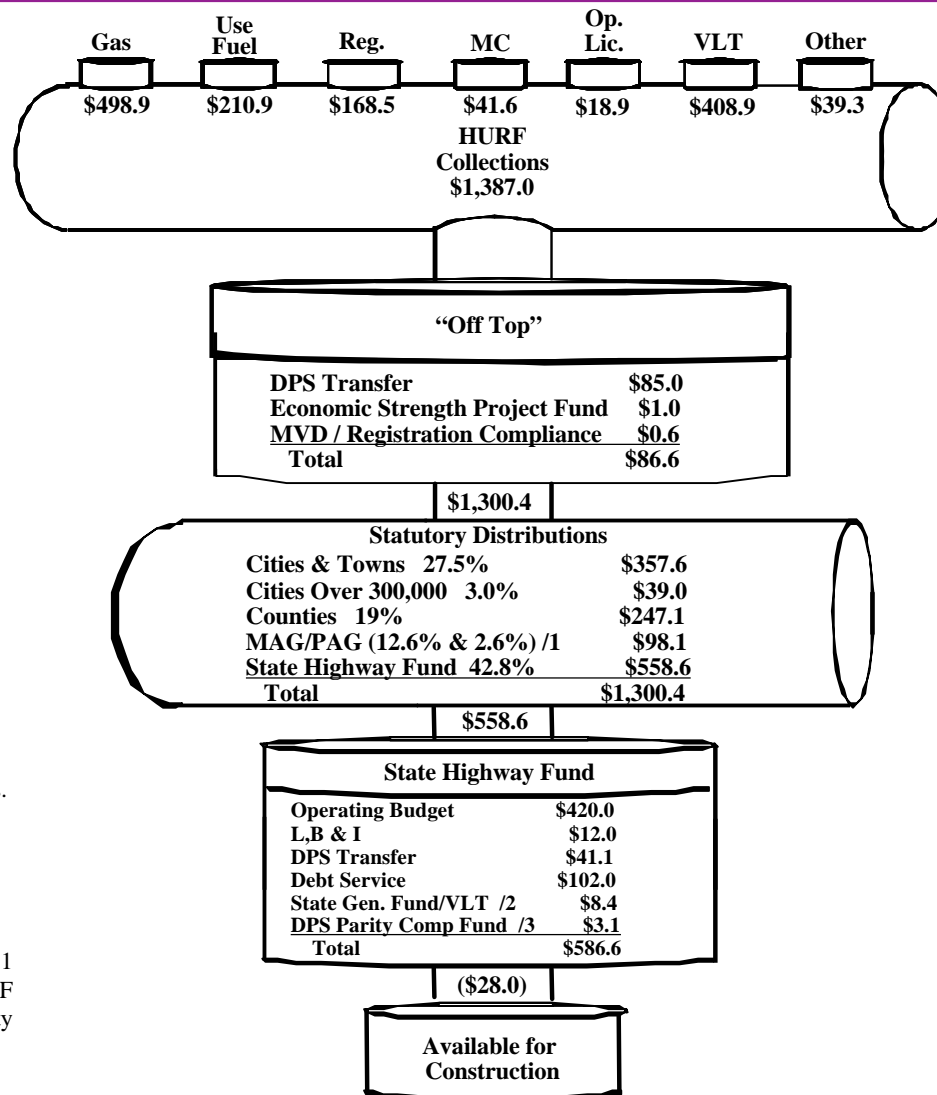


NOTE: Revenues are net of debt service and inflation factor.

HURF ESTIMATED REVENUE DISTRIBUTION FLOW

FY 2009

(Dollars in Millions)



NOTES:

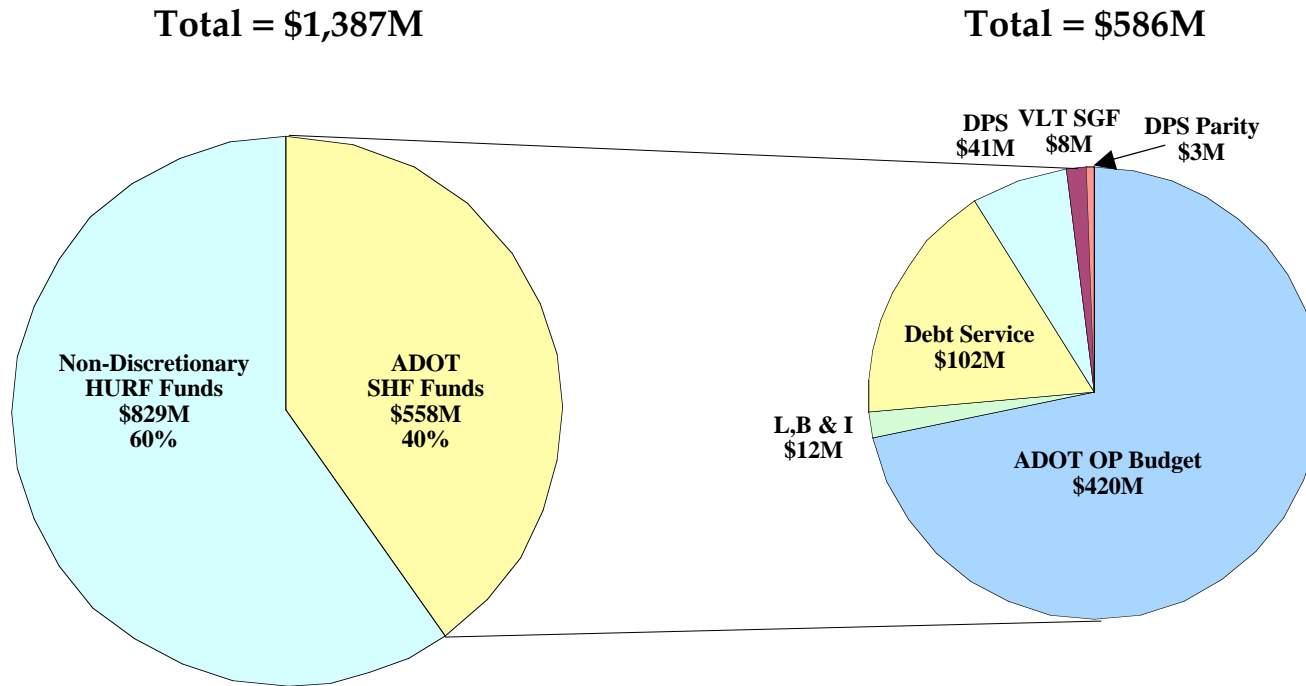
/1. The 12.6% and 2.6% allocations from the State Highway Fund share of HURF distributions.

/2. Per Laws 2008, Chapter 285 (HB 2209) transfers \$8.4 million from the state highway funds share of HURF VLT to the state general fund.

/3. Per Laws 2005, Chapter 306 (SB 1119), 1.51 percent of the state highway fund share of HURF VLT is distributed to the DPS Parity Compensation Fund.

STATE HIGHWAY FUND REQUIREMENTS AND SHORTFALL FY 2009

(Dollars in Millions)



Shortfall = \$28M

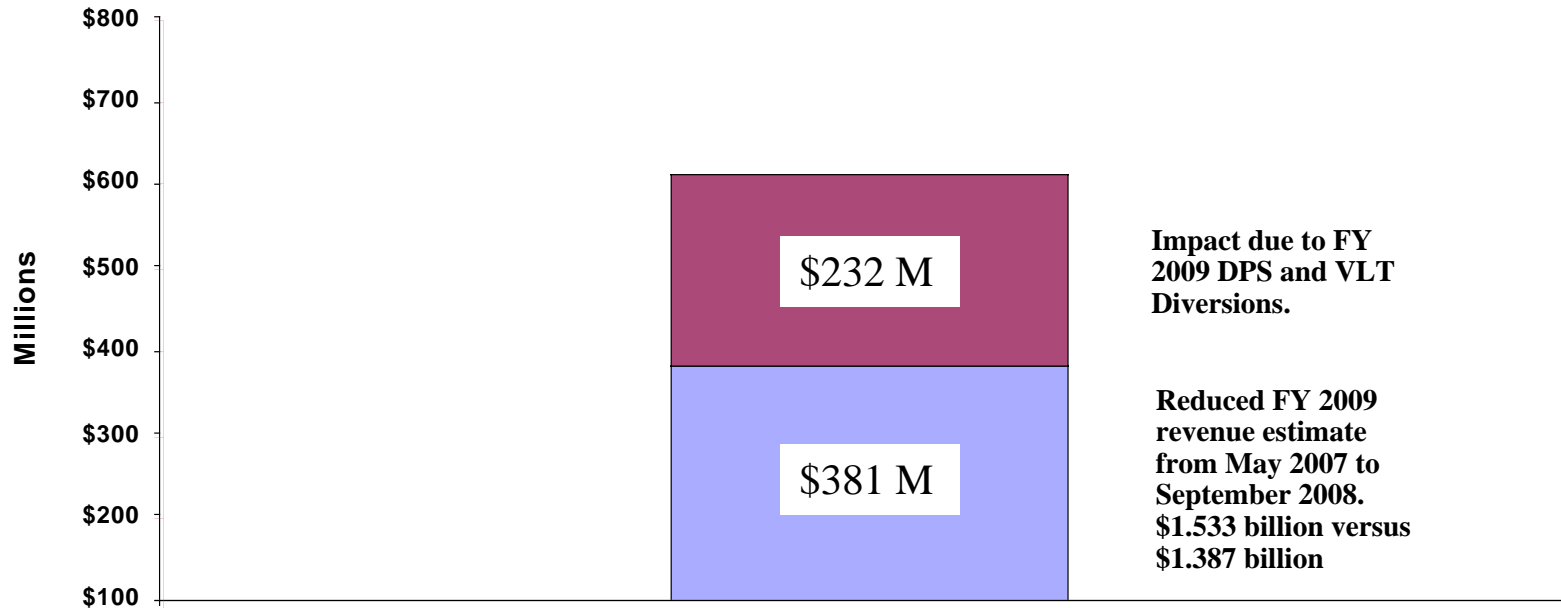
<u>Non-Discretionary HURF Funds</u>		
"Off Top"	\$87M	10%
Cities & Counties	\$644M	78%
MAG/PAG	\$98M	12%
Total	\$829M	

ARIZONA DEPARTMENT OF TRANSPORTATION

HURF BOND CAPACITY LOSS

FY 2009

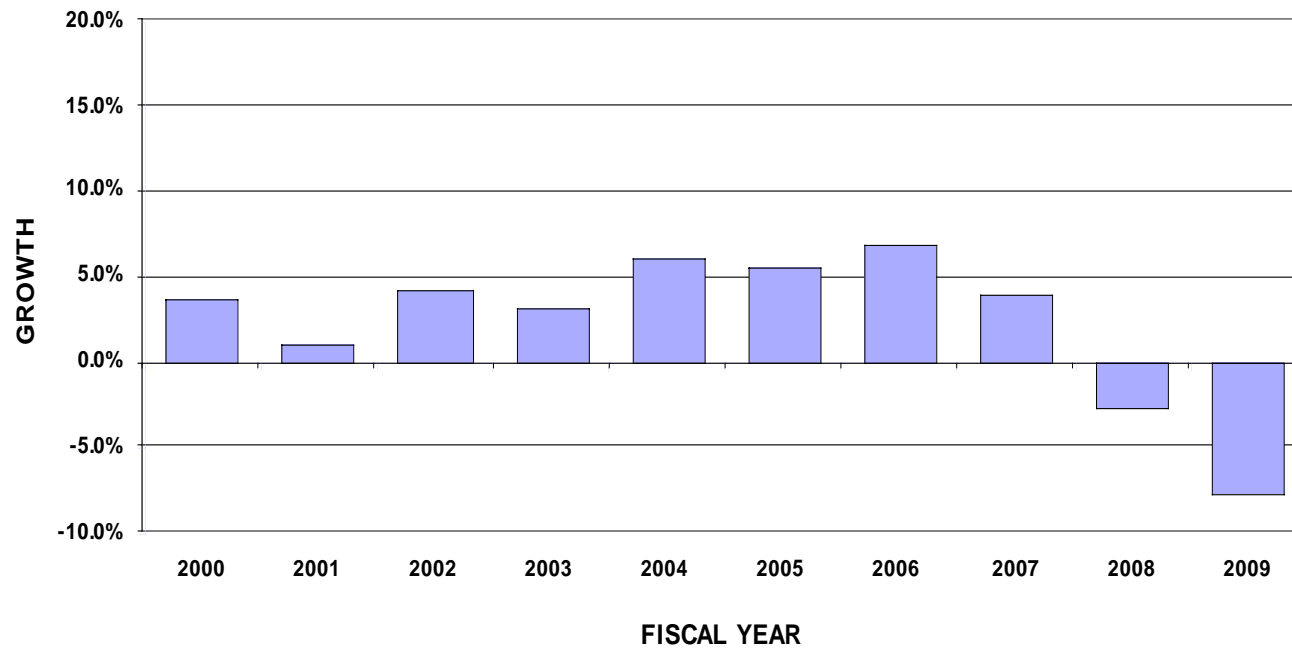
Total Loss = \$613 M



Where are we now?



TRANSPORTATION REVENUE GROWTH PERCENTAGE CHANGE BY FISCAL YEAR HIGHWAY USER REVENUE FUND

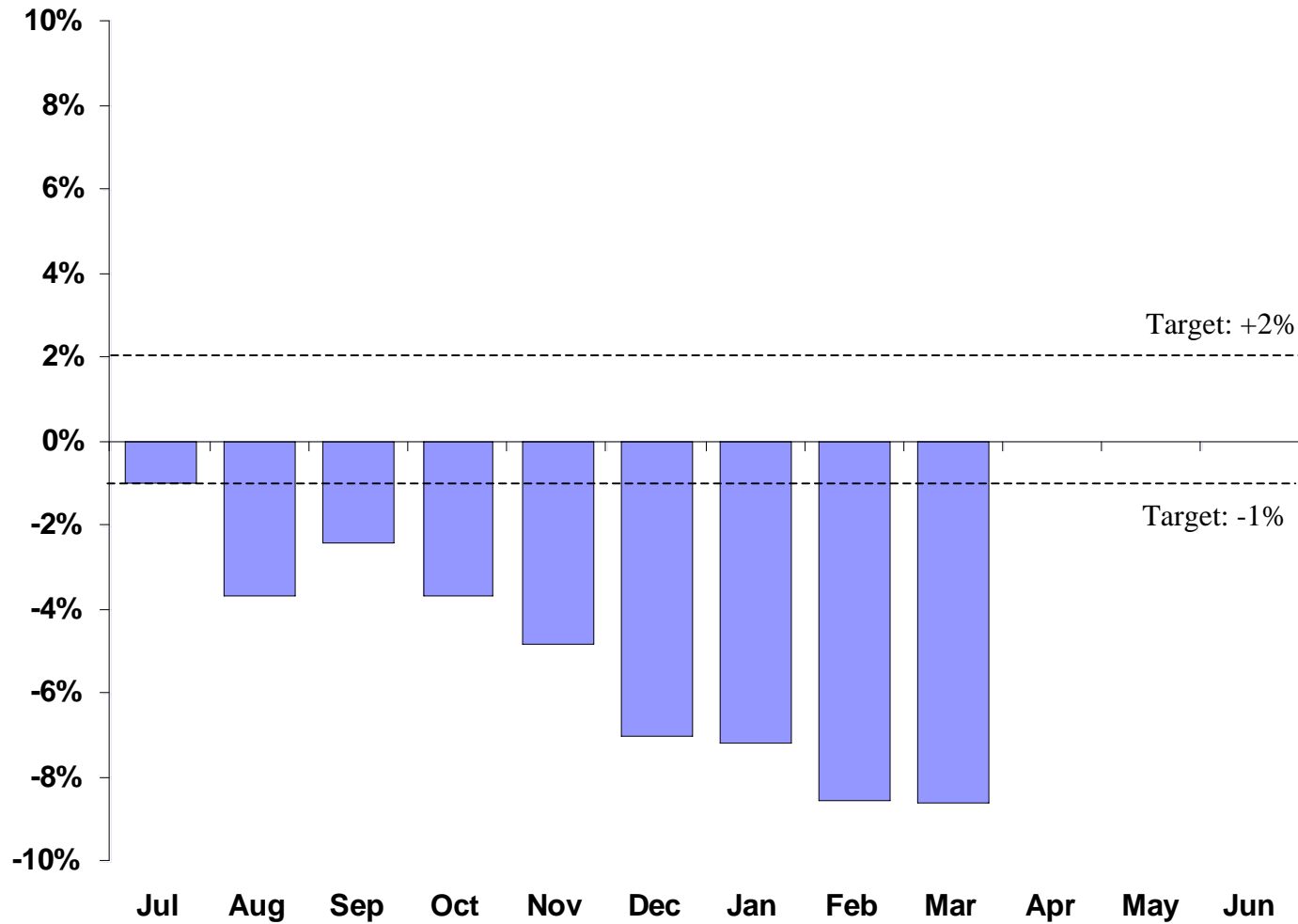


NOTE: 1. FY 2009 through March 2009.

HURF FORECAST PERFORMANCE

ACTUAL TO ESTIMATE

FY 2009 YTD

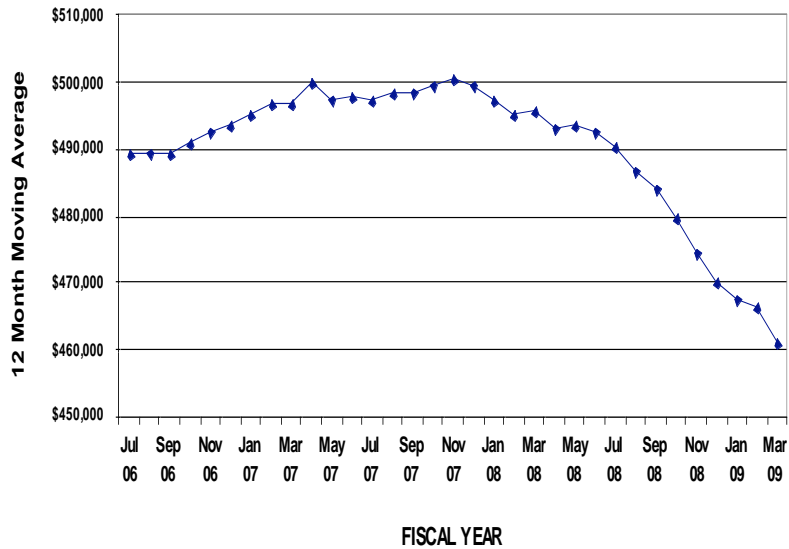


TRANSPORTATION REVENUE GROWTH

12 MONTH MOVING AVERAGE

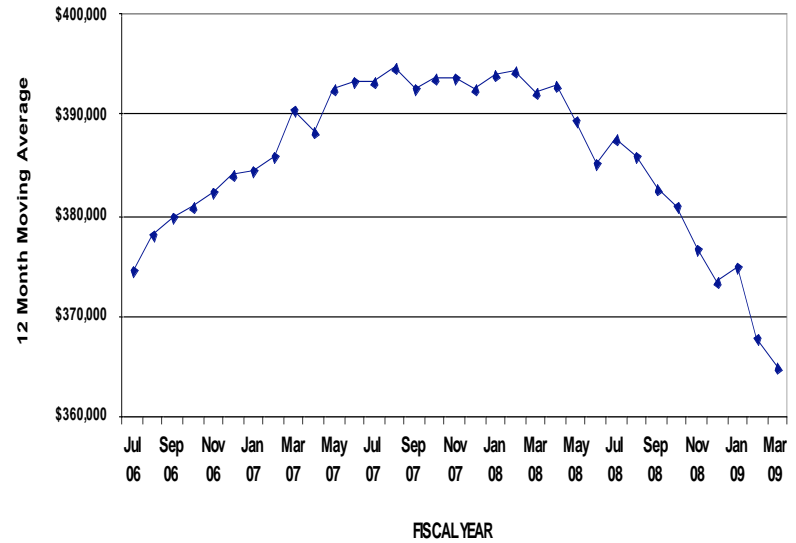
GAS TAX AND VLT

GAS TAX



NOTE: 1. FY 2009 through March 2009.

VLT

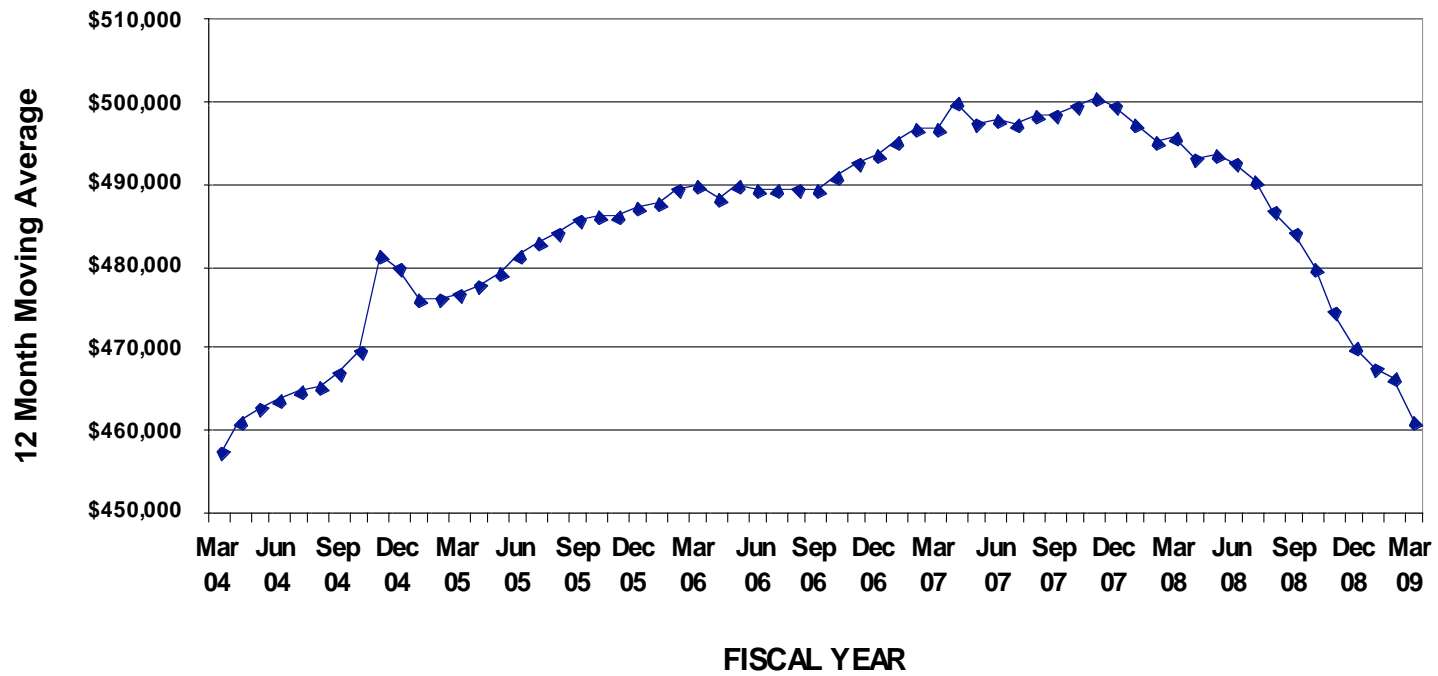


NOTE: 1. FY 2009 through March 2009.

TRANSPORTATION REVENUE GROWTH

12 MONTH MOVING AVERAGE

GAS TAX

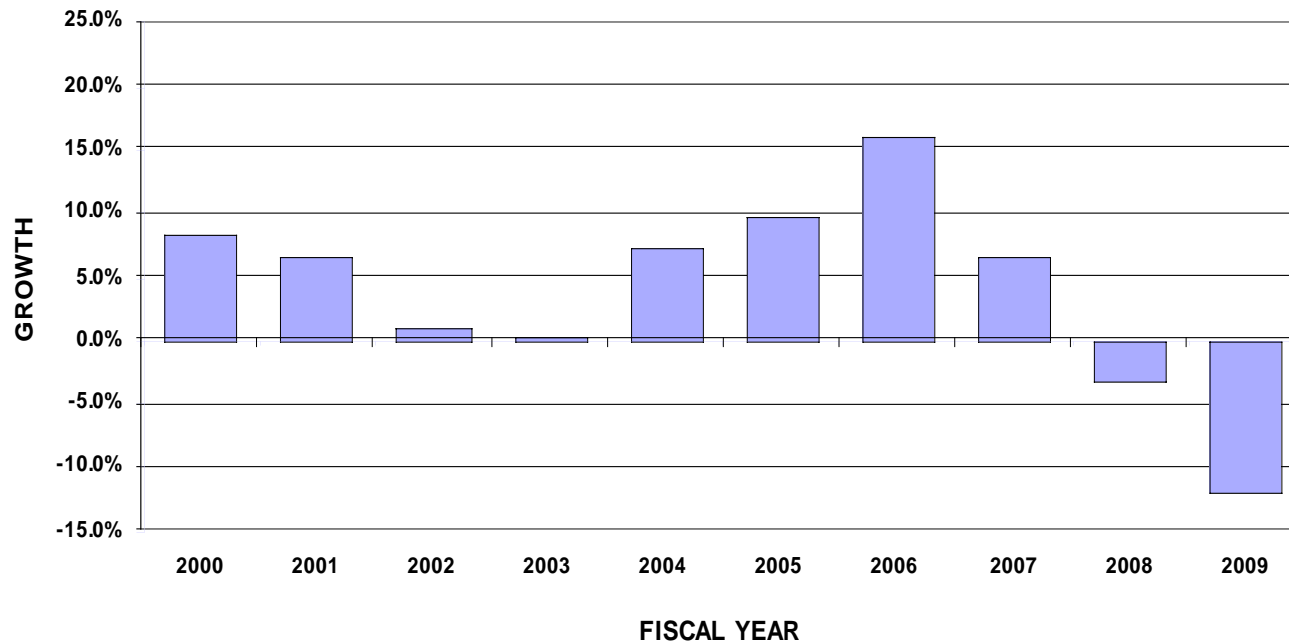


NOTE: 1. FY 2009 through March 2009.

TRANSPORTATION REVENUE GROWTH

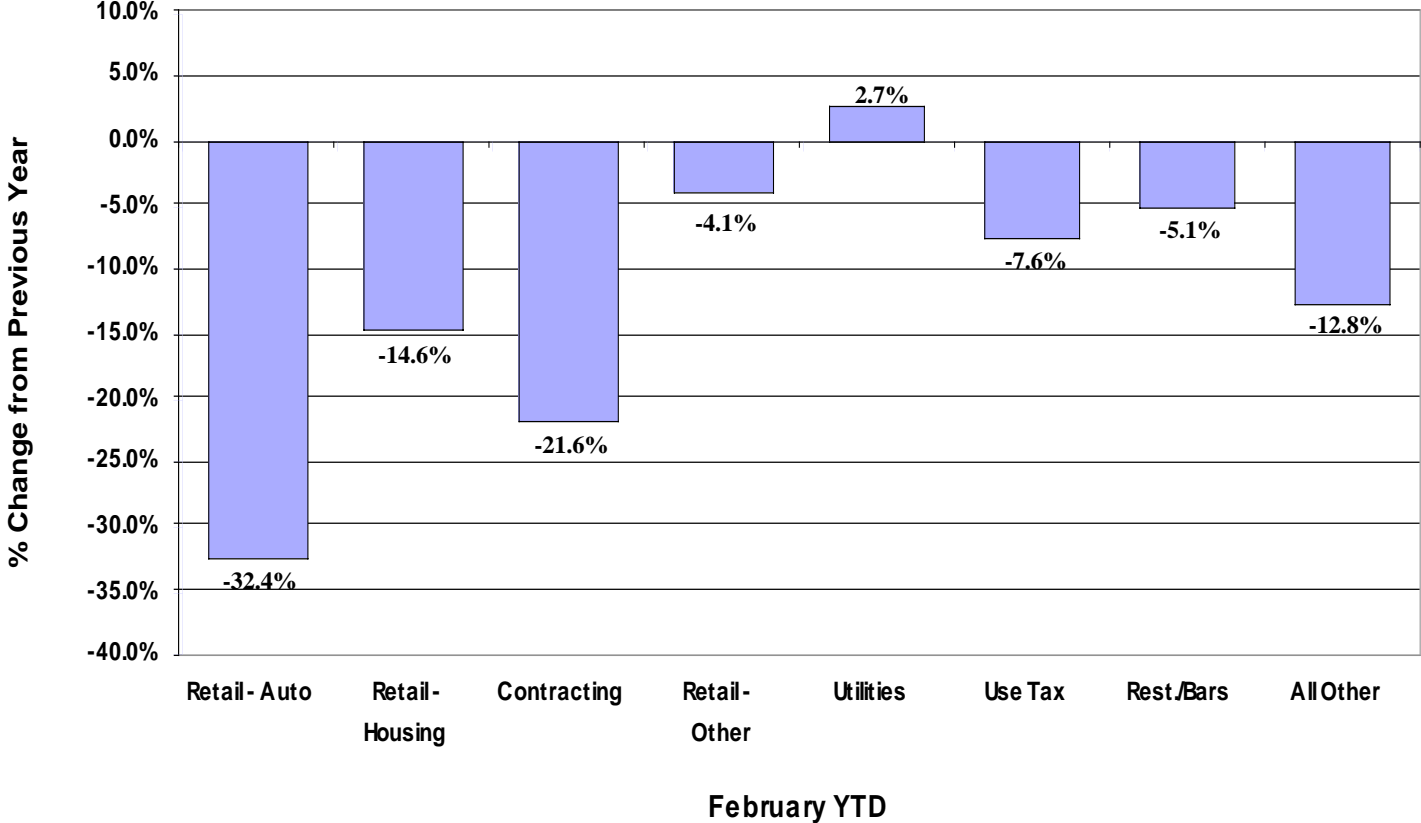
PERCENTAGE CHANGE BY FISCAL YEAR

REGIONAL AREA ROAD FUND



NOTE: 1. FY 2009 through February 2009.

STATEWIDE SALES TAX COMPARISON BY CATEGORY FY 2009 YTD



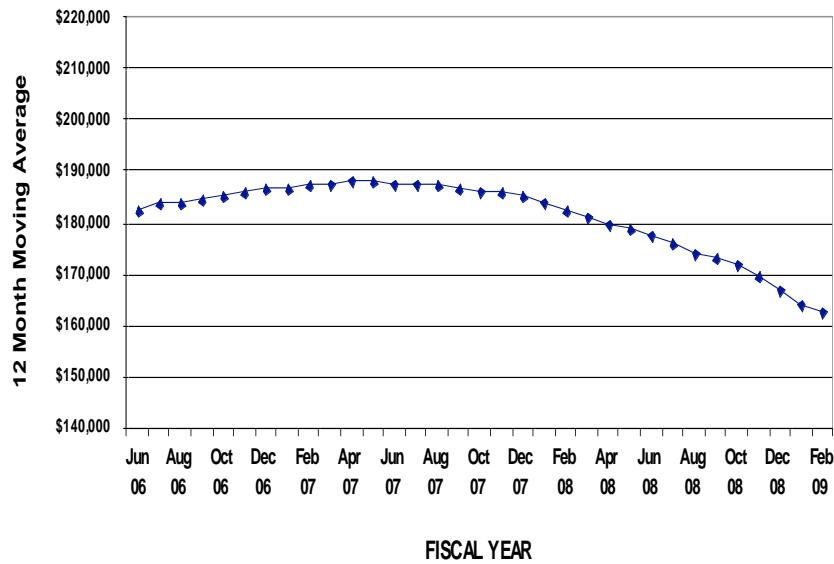
Source: JLBC presentation to Finance Advisory Committee on March 31, 2009.

TRANSPORTATION REVENUE GROWTH

12 MONTH MOVING AVERAGE

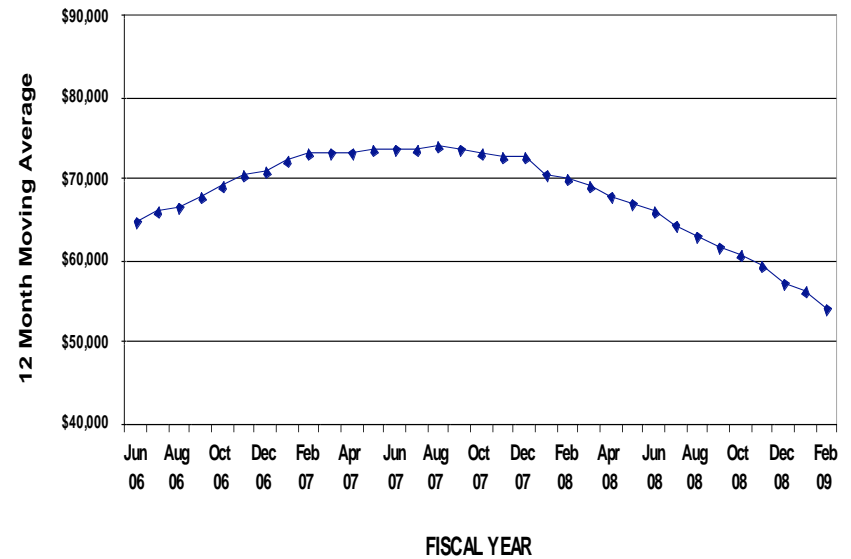
RETAIL SALES AND CONTRACTING

RETAIL SALES



NOTE:
1. FY 2009 through February 2009.

CONTRACTING



NOTE:
1. FY 2009 through February 2009.

TRANSPORTATION REVENUE GROWTH

COMPARISON OF FORECASTS

REGIONAL AREA ROAD FUND

(Dollars in millions)

<u>Fiscal Year</u>	<u>Sept. 2008 Official Forecast</u>	<u>Feb. 2009 Planning Forecast</u>	<u>Change</u>
2009	\$380.5	\$345.7	(\$34.8)
2010	\$396.8	\$350.9	(\$45.9)
2011	\$431.5	\$368.4	(\$63.1)
2012	\$467.9	\$396.0	(\$71.9)
2013	\$505.3	\$427.7	(\$77.6)
2014	\$544.9	\$461.2	(\$83.7)
2015-2026	<u>\$9,770.8</u>	<u>\$8,270.1</u>	<u>(\$1,500.7)</u>
Total	\$12,497.7	\$10,620.0	(\$1,877.7)



**What else
could
possibly
happen?**



FISCAL YEAR 2009 TRANSFERS

- **Over \$295 million in transportation funds will be transferred from ADOT to address the fiscal year 2009 state general fund budget deficit:**

HURF/SHF to DPS	\$87 million
VLT Diversions	\$66 million
Aviation Fund	\$22 million
MVD/Other Funds	\$16 million
STAN	<u>\$104 million</u>
TOTAL	\$295 million

WHAT DOES ALL OF THIS MEAN FOR FY 2009?

- **The combined effects of reduced HURF revenues and legislative fund transfers will create a funding deficit of \$130 to \$150 million.**
- **Some of the actions taken to address this gap include:**
 - **Reverting \$20 million to State Highway Fund from HELP Fund.**
 - **Generating \$7 million debt service savings.**
 - **Eliminating \$32 million FY 2008 and 2009 LB&I funding.**
 - **Imposing 11% (\$47 million) FY 2009 operating budget reduction to include:** hiring freeze, no overtime except for public safety, no travel except for mission critical, grounded ADOT plane, reduced or deferred maintenance, no pavement preventative maintenance, employee furloughs, etc.
 - **Suspending FY 2009 and 2010 airport grant program and deferred existing grant reimbursements 6 to 18 months.**
 - **Suspension of HURF exchange program.**

BOARD FUNDING OBLIGATIONS (BFOs)

- **On April 15, the State Treasurer intends to call the full \$110 million of outstanding Board Funding Obligations (BFOs)**
- **\$50 Million of this principal amount is deposited in the Highway Expansion and Extension Loan Program (HELP):**
 - Program suspended last year to preserve capital.
 - \$50 million was available and repaid on April 8.
 - Long-term viability of HELP program is uncertain given loss of major source of capitalization.
- **\$60 Million of principal amount is deposited in the State Highway Fund:**
 - Federal stimulus funding will increase ADOT's working capital requirements.
 - Funds provide critical working capital for SHF -- actions will need to be taken immediately to mitigate impact of BFO call and could include:
 - » Potential transfers of other funds to SHF.
 - » Possibly change contractor payment schedules to lower working capital needs.



**Where do we
go from here?**



THE GOOD

- **The American Recovery and Reinvestment Act of 2009 (ARRA) is estimated to bring significant additional transportation funding to Arizona:**
 - **Highways** **\$522 million**
 - **Transportation Enhancements** **\$16 million**
 - **Distribution to Local Governments** **\$156 million**
 - **ADOT** **\$350 million**
 - **Transit** **\$95 million**
 - **Aeronautics** **\$30 million**
- **ADOT is working with stakeholders to develop Public-Private Partnership (P3) legislation.**
- **Which direction is the economy headed?**

THE BAD

- **State general fund deficit for FY 2010 projected to be over \$3 billion, with even larger structural deficits possible in the future.**
- **Transportation revenue sources show no real signs of improvement.**
- **Adjustments to five-year program to match expected available funding.**
- **Which direction is the economy headed?**

QUESTIONS?



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