

AZ Transportation Board Study Session

February 2, 2023

FY2024 – FY2028 Tentative Highway Construction Program

Financial Plan

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Agenda:

- Forecasting Process & Results
- Federal Formula Funding
- Financing Mechanisms
- Funding Available for the Program

Revenue Forecast Process:

Sources of Funding for the Highway Program

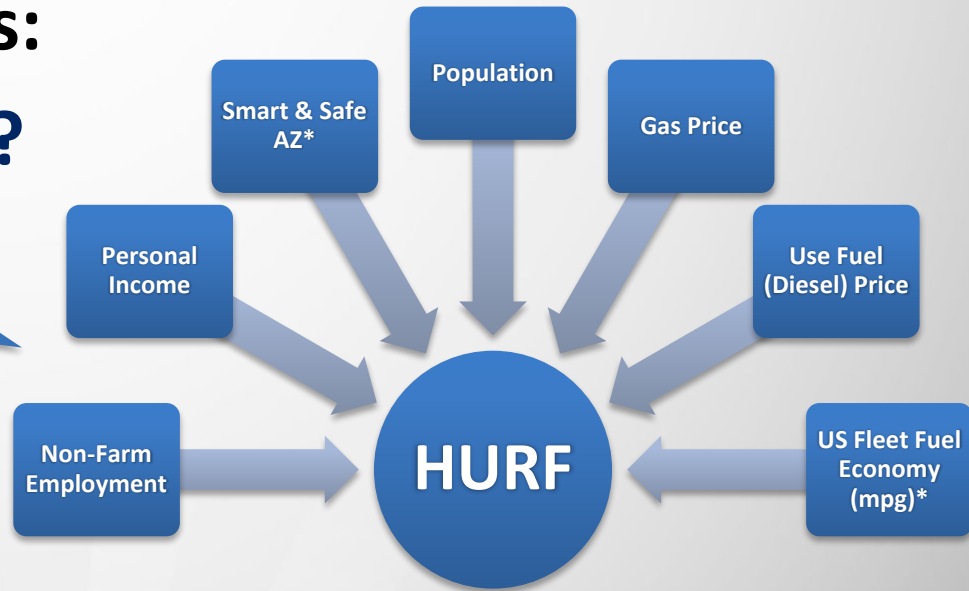
- ✓ Highway User Revenue Fund/ State Highway Fund
- ✓ Regional Area Road Fund/ Freeway Funds
 - Federal Funds (Formula Funding): established by Congress
 - Other Funding: Competitive Grants, Appropriations & Private Funding

✓ = Forecasted by the Risk Analysis Panel (RAP)

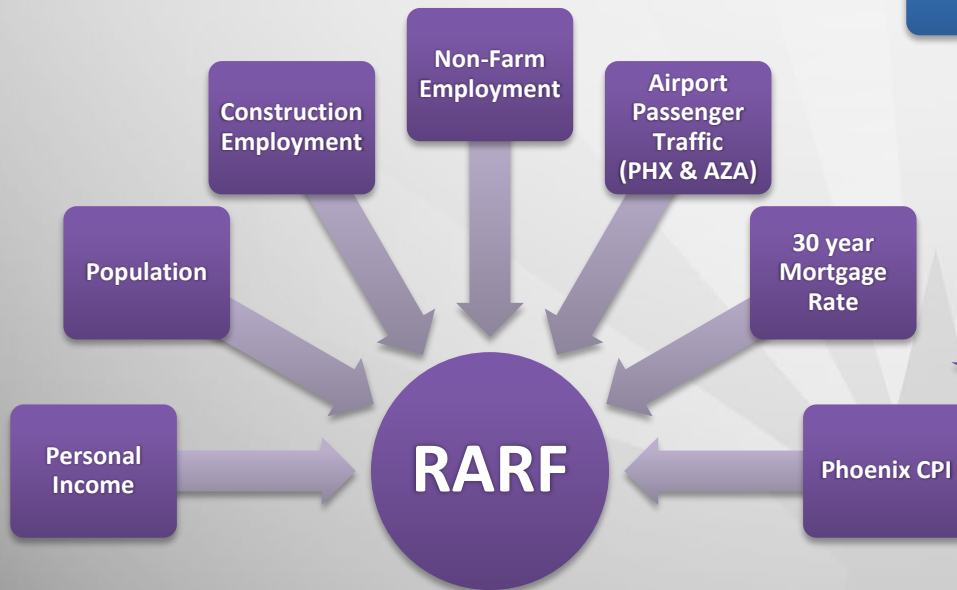
Revenue Forecast Process:

What is being forecasted?

State of Arizona Variables






Maricopa County Variables



Revenue Forecast Process:

Who is involved?

- Maricopa Association of Governments (MAG), Transportation Professional
- City of Peoria, prior JLBC, Fiscal Specialist
- JLBC, Fiscal Specialist
- Previous State Treasurer's Office, Financial Professional 
- Office of Economic Opportunity, Economist
- VisionEcon, Economist 
- Elliot Pollack Company 
- ASU, Economist
- HDR, Economist – Contracted to develop & run forecasting model for ADOT



- Western Blue Chip Panelists

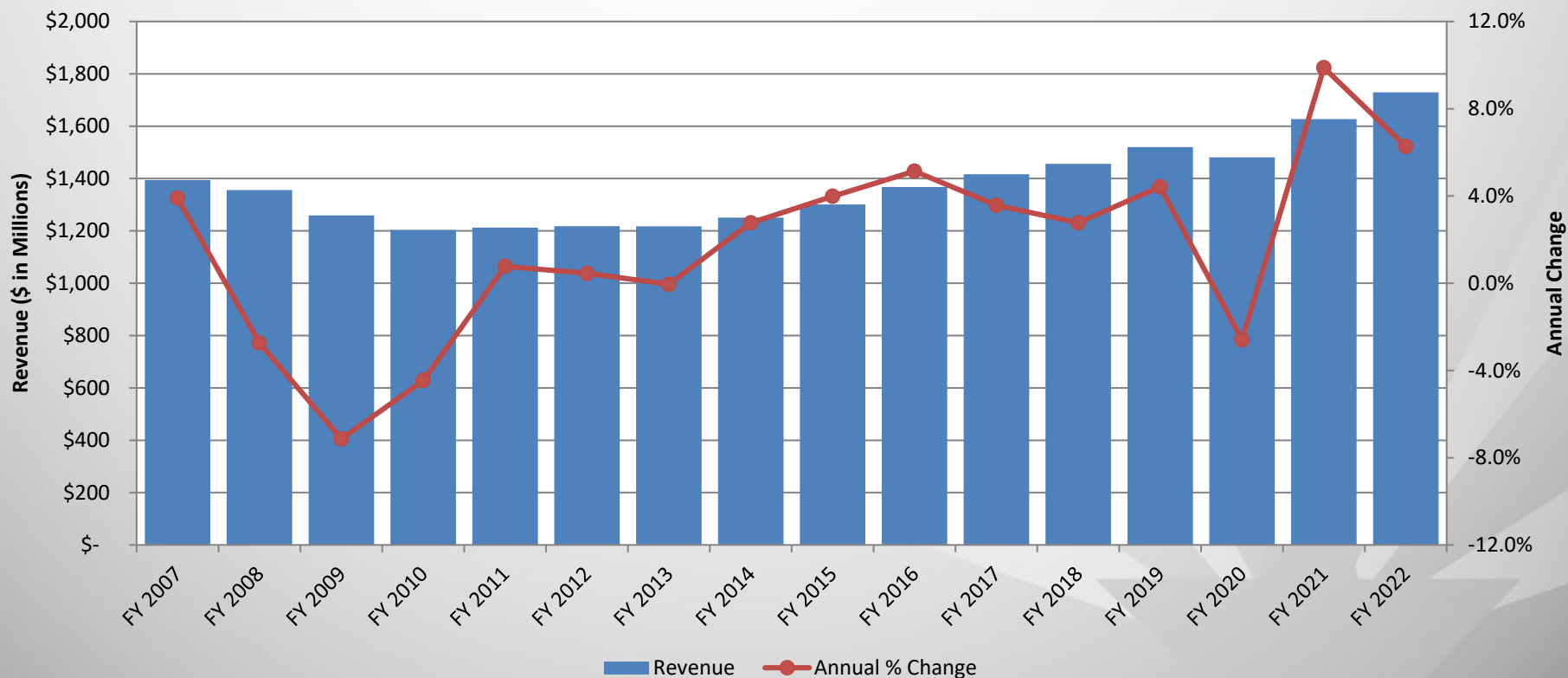
Benefits of the RAP Process:

- Involves multiple economists & experts in transportation
- Uses well-known and accepted statistical methods
- Provides objective, data-based, accurate results
- Is recognized by bond rating agencies as stable and effective

Highway User Revenue Fund

A large, faint, light gray graphic of a five-pointed star with rays emanating from its center is positioned in the background, centered behind the title text.

Highway User Revenue Fund (HURF): FY 2022 Revenues



	FY 2021 Actual	FY 2022 Actual	Change	FY 2022 Estimate	Difference
Total	\$ 1,627.2	\$ 1,729.1	6.3%	\$ 1,774.9	-2.6%

Highway User Revenue Fund (HURF): FY 2022 Sources

Total: \$1,729.1 Million

Use Fuel (Diesel)
\$256.9
15%

VLT
\$542.8
31%

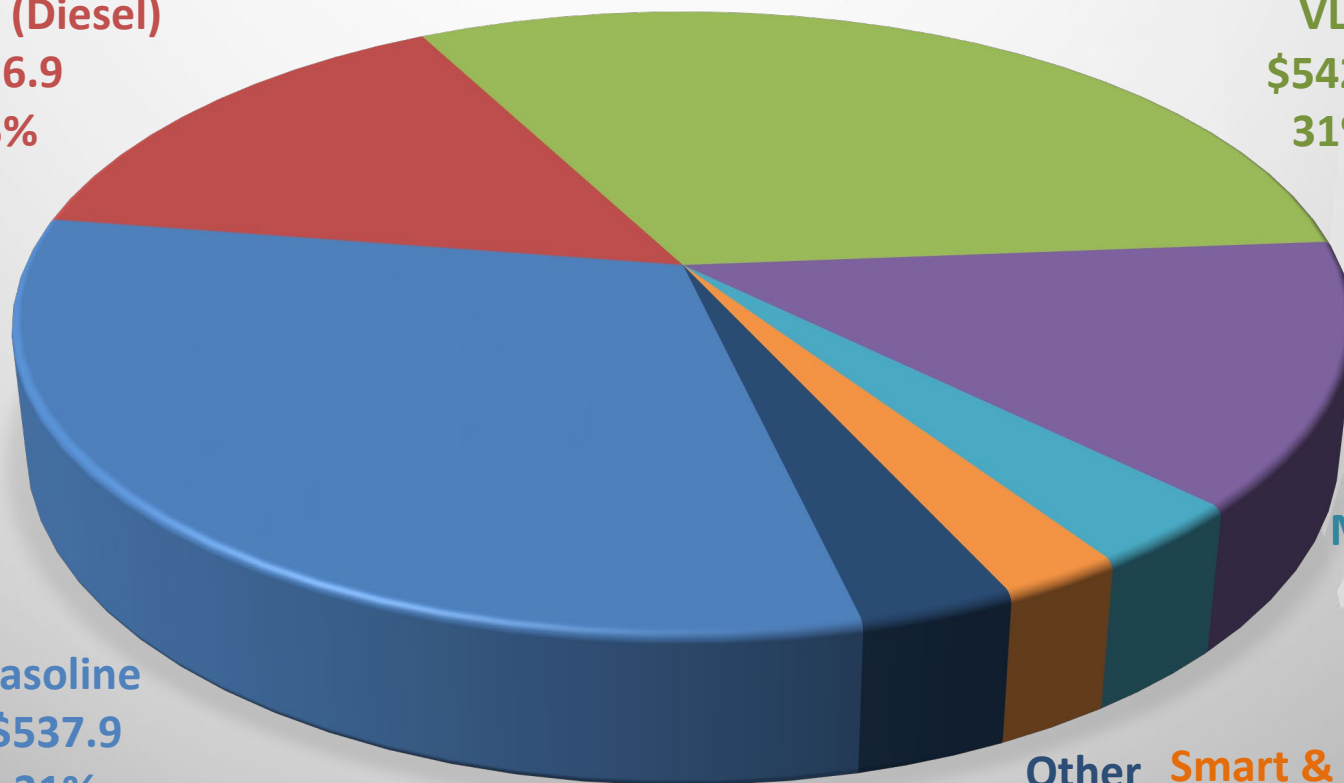
Registration
\$236.1
14%

Motor Carrier
\$56.7
3%

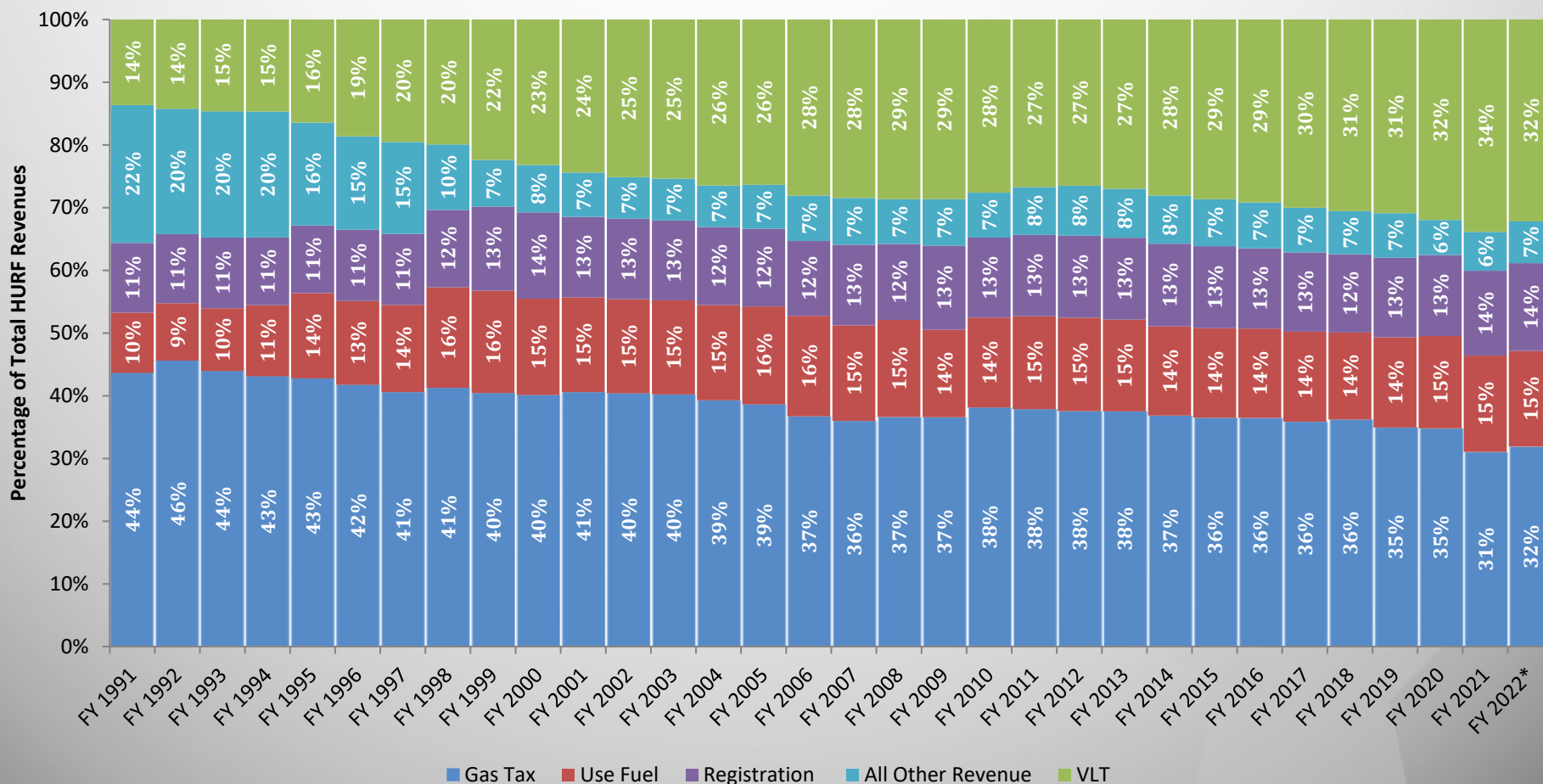
Other **Smart & Safe AZ**
\$55.6 **\$43.2**
3% **3%**

Gasoline
\$537.9
31%

Revenue in millions

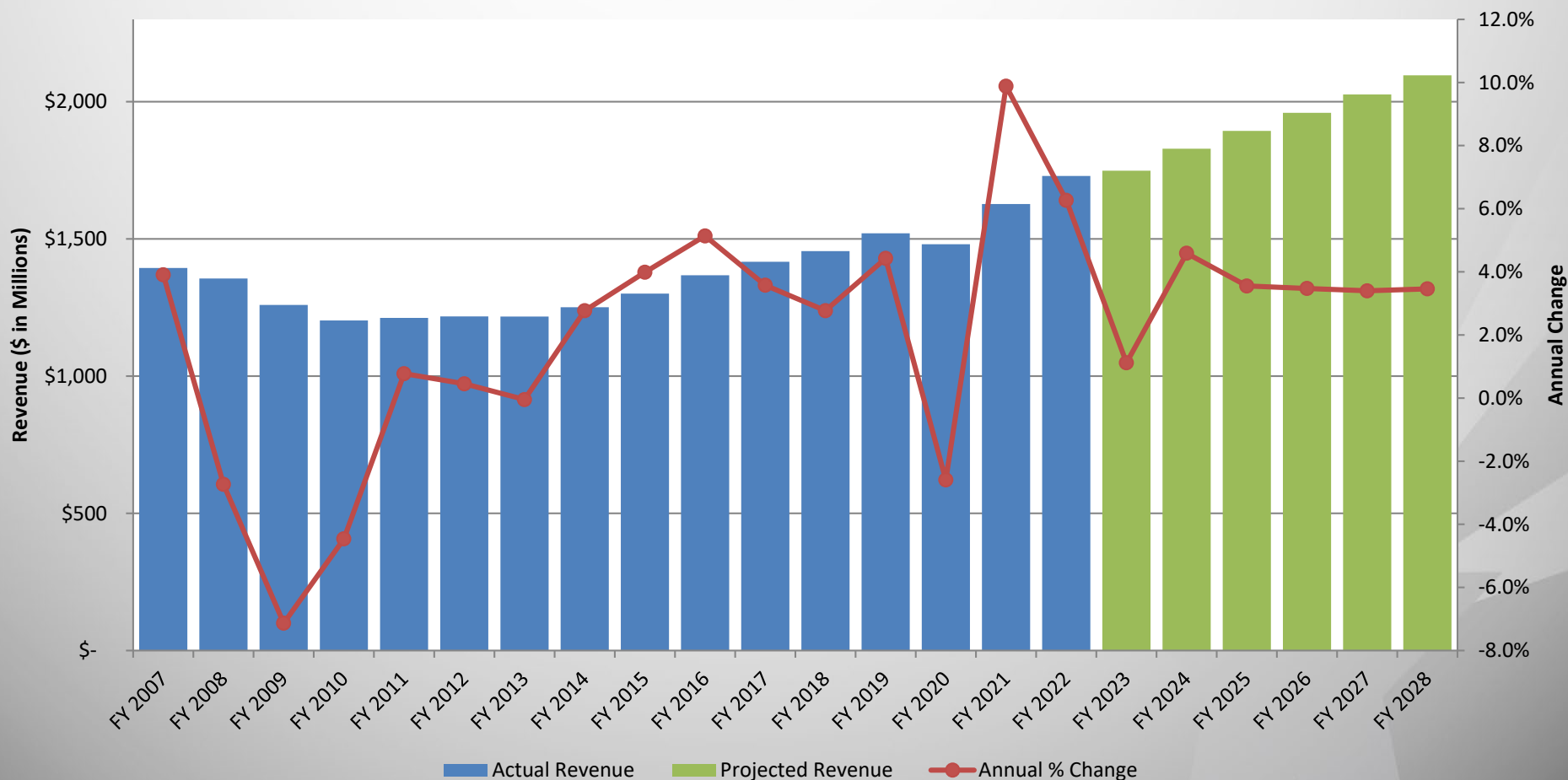


Highway User Revenue Fund (HURF): Revenue Categories as a Percentage of HURF



*FY 2022 percentages adjusted to exclude revenue from the new Smart & Safe AZ category.

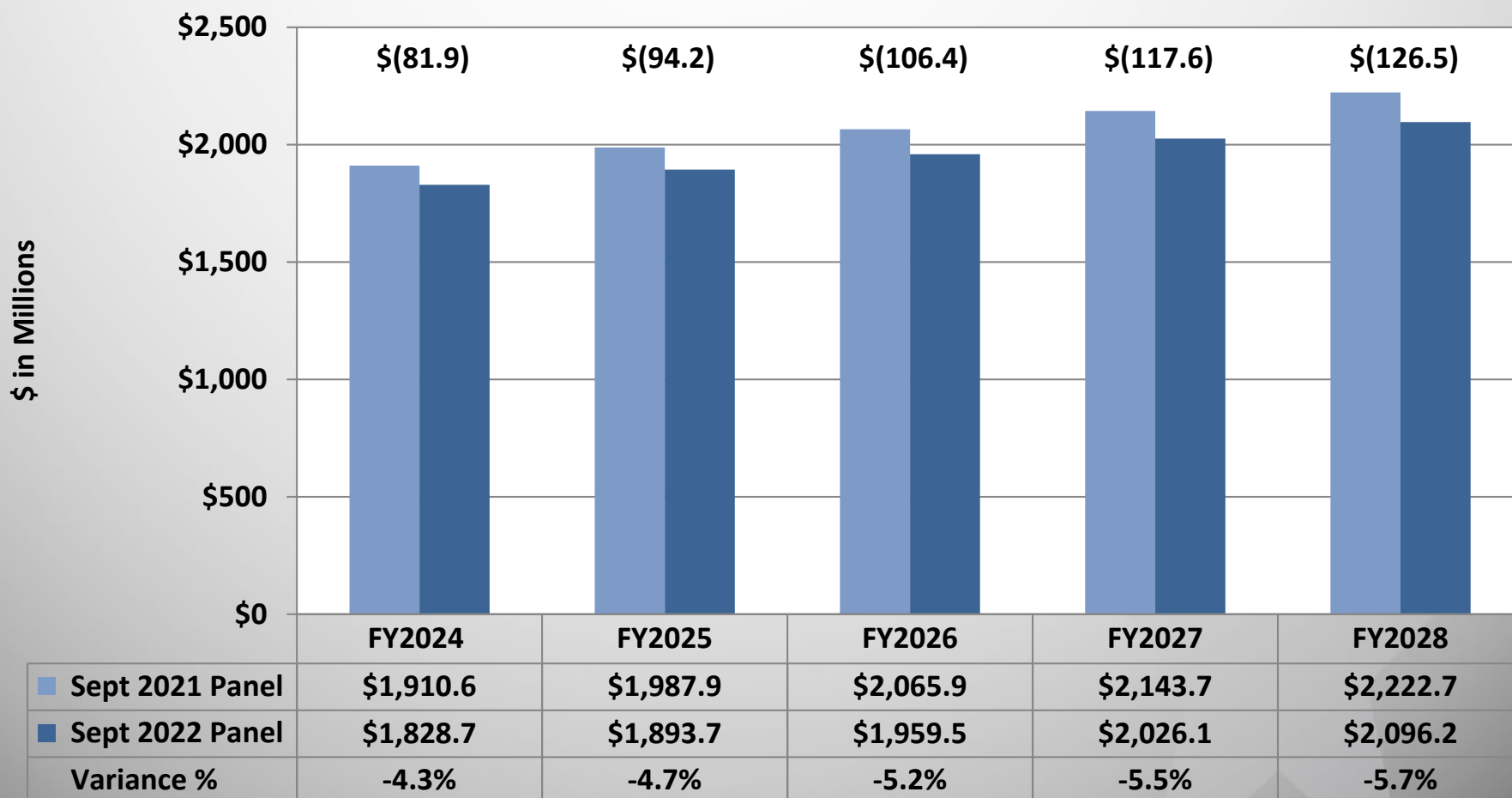
Highway User Revenue Fund (HURF): Revenue History and Forecast




Revenue in Millions

Risk Analysis Process Results: HURF 2021 vs 2022 Panel

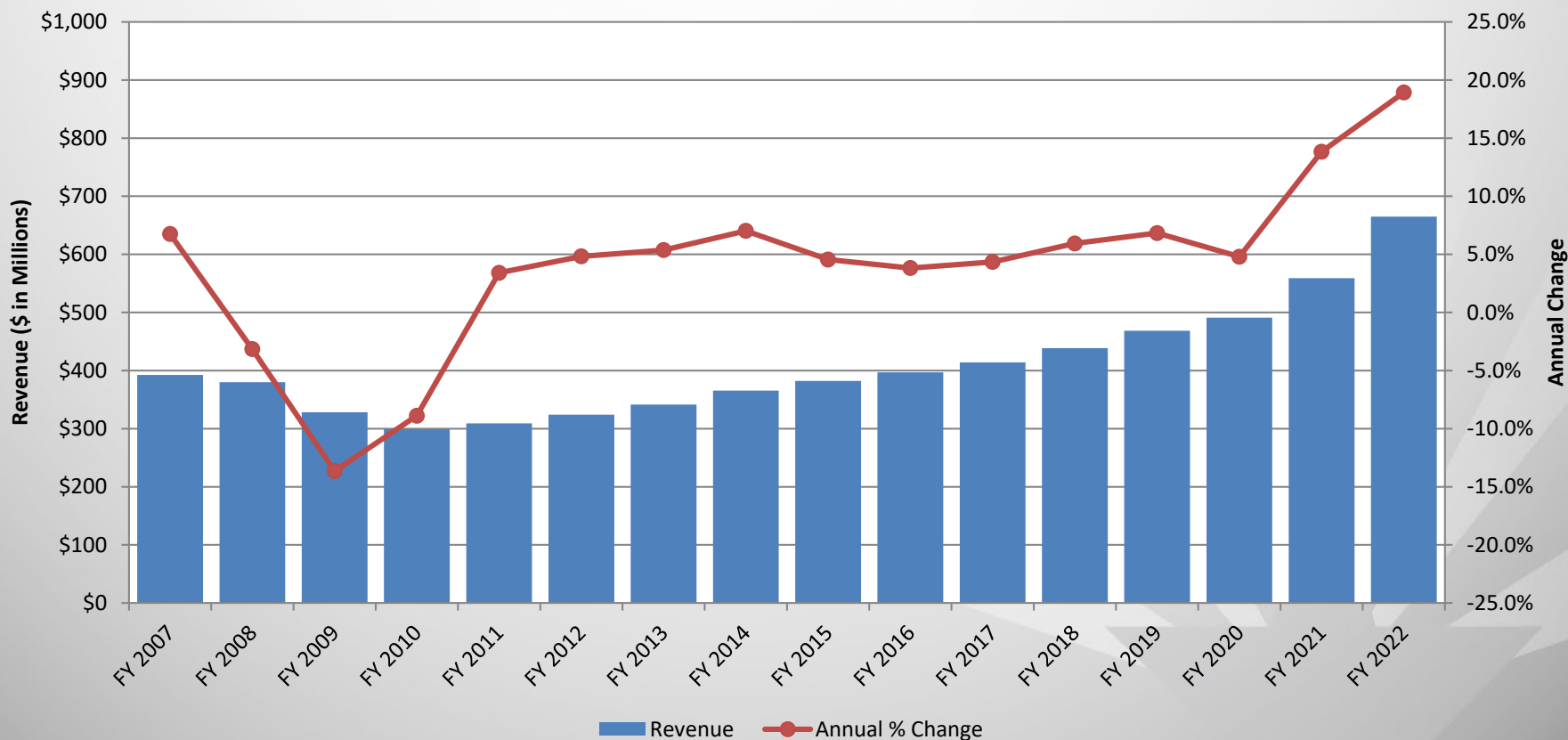
HURF forecasts were decreased by \$526.6M, or 5.1%.



Regional Area Road Fund

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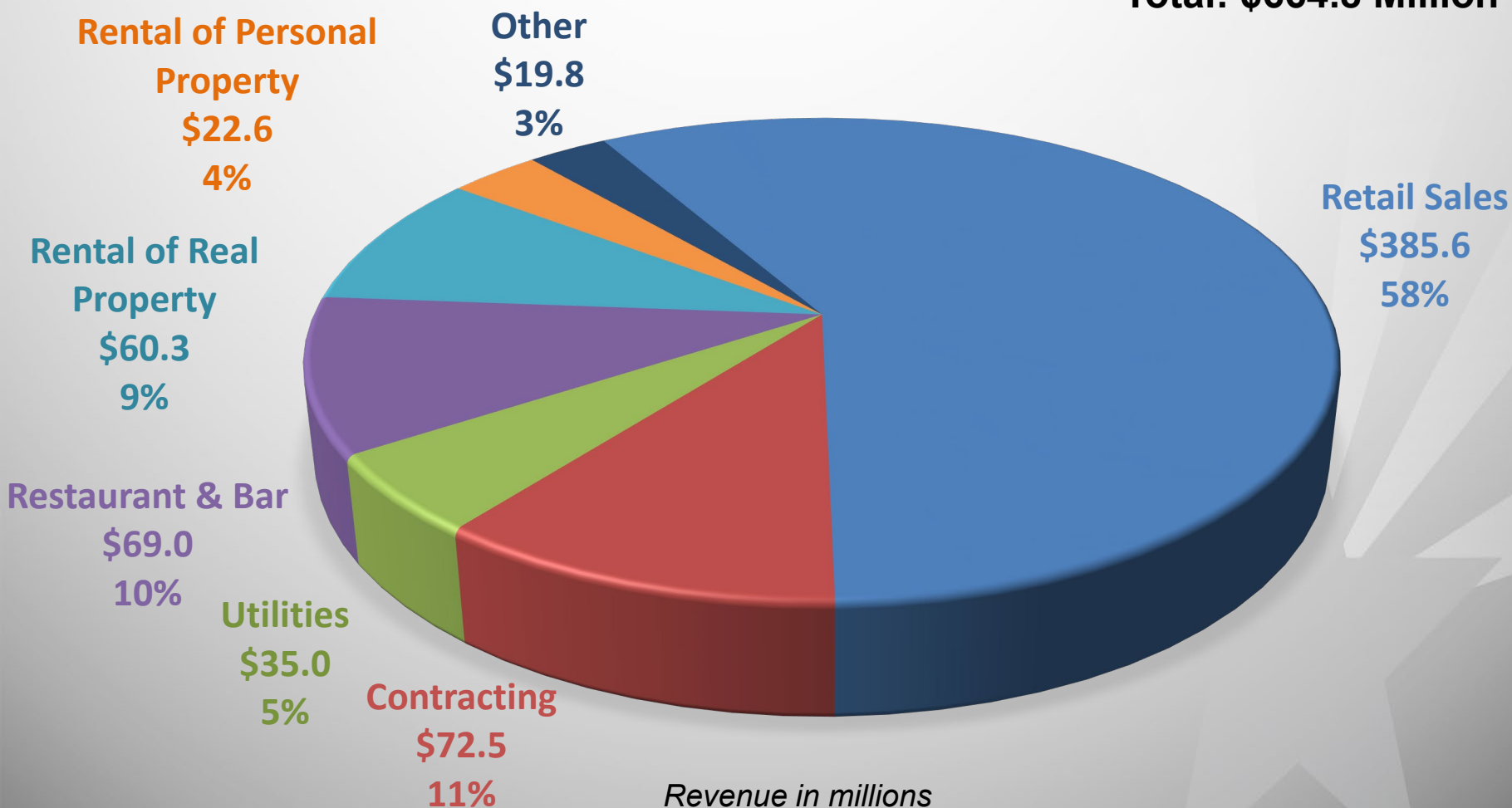
Regional Area Road Fund (RARF): FY 2022 Revenues



	FY 2021 Actual	FY 2022 Actual	Change	FY 2022 Estimate	Difference
Total	\$ 559.0	\$ 664.8	18.9%	\$ 630.9	5.4%

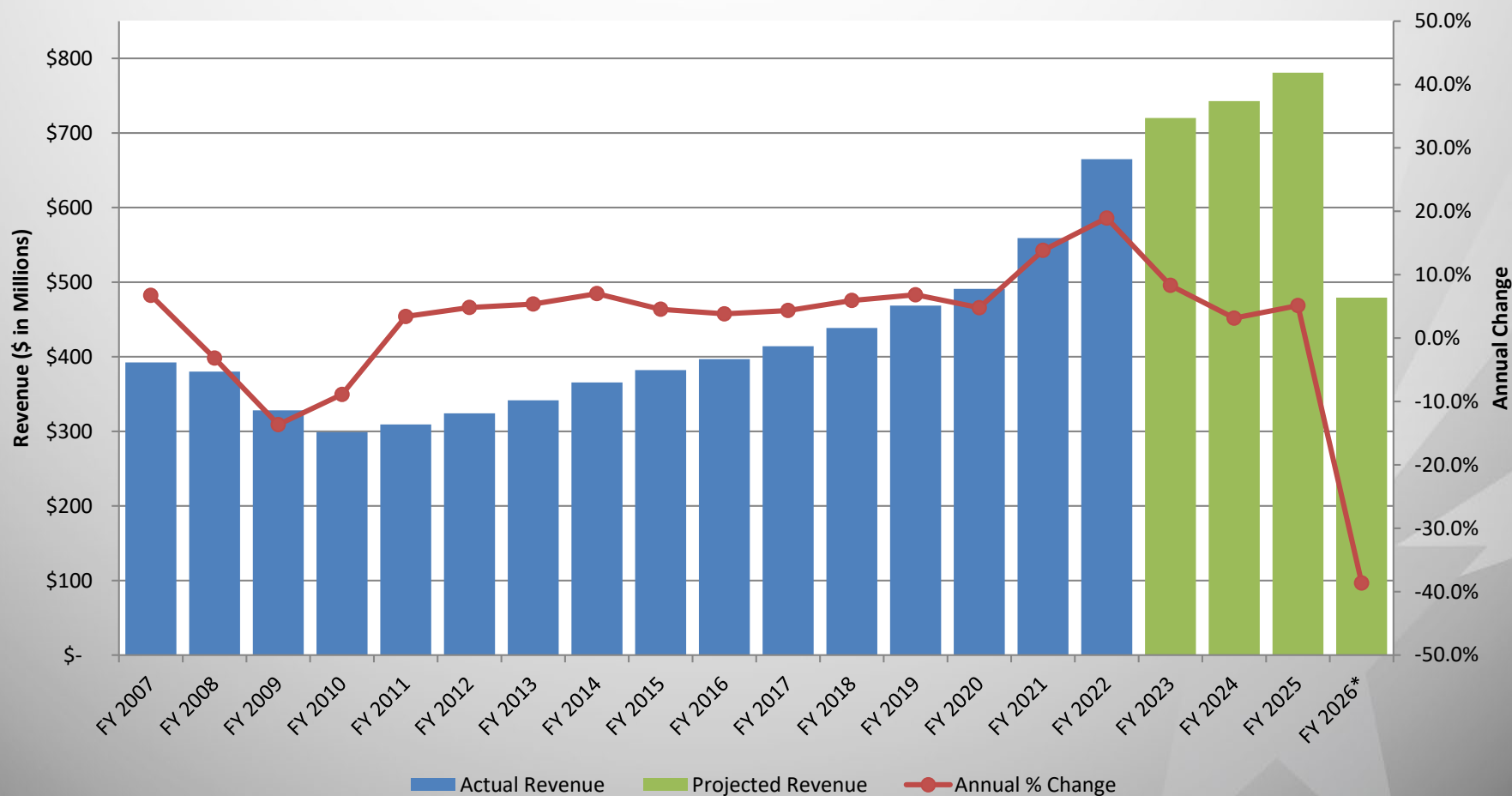
Regional Area Road Fund (RARF): FY 2022 Sources

Total: \$664.8 Million



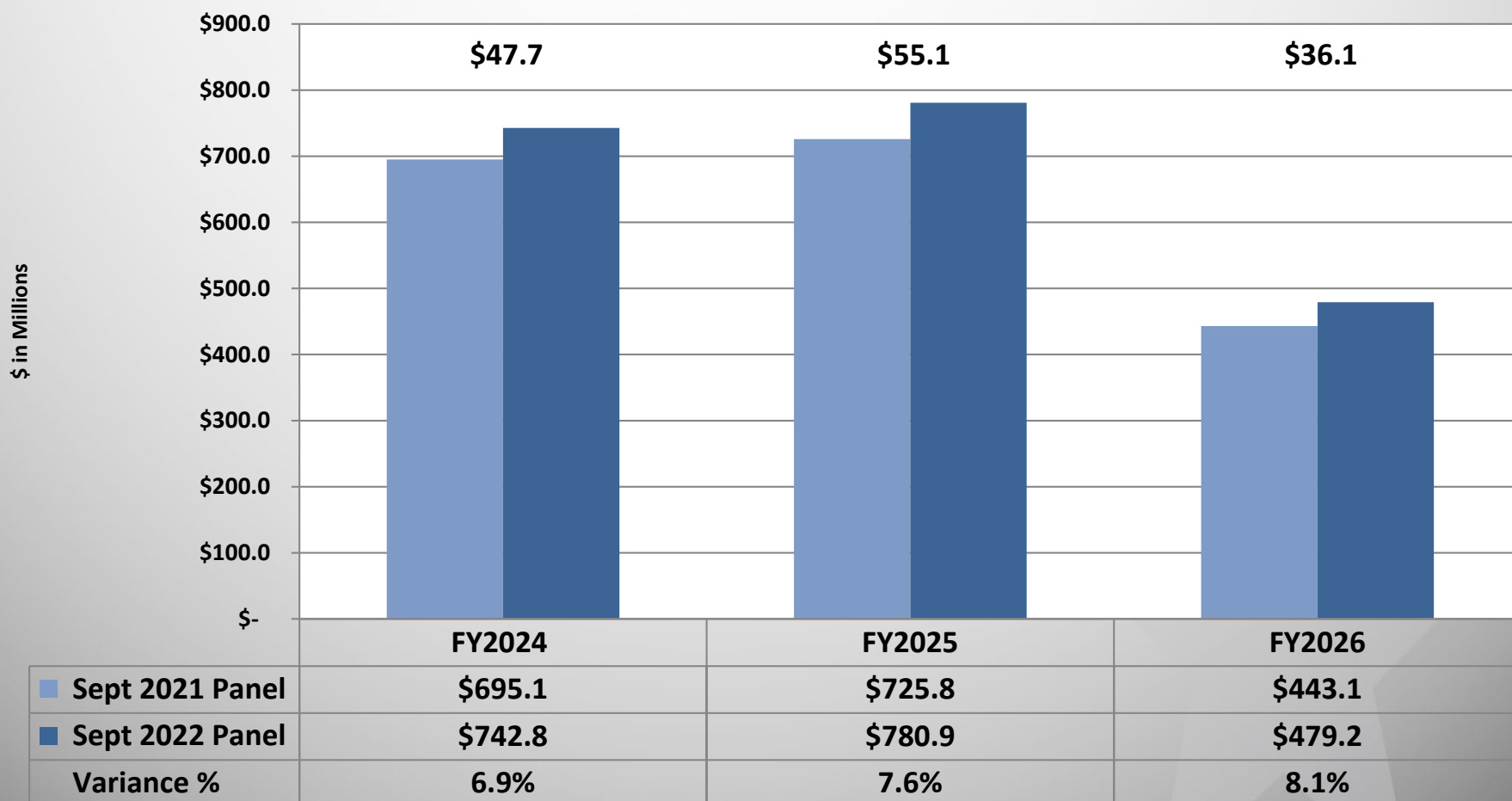
Regional Area Road Fund (RARF): Revenue History and Forecast

* FY 2026 forecast reflects the expiration of the transportation excise tax extension on December 31, 2025.



Risk Analysis Process Results: RARF 2021 vs 2022 Panel

RARF forecasts were increased by \$138.9M, or 7.5%.



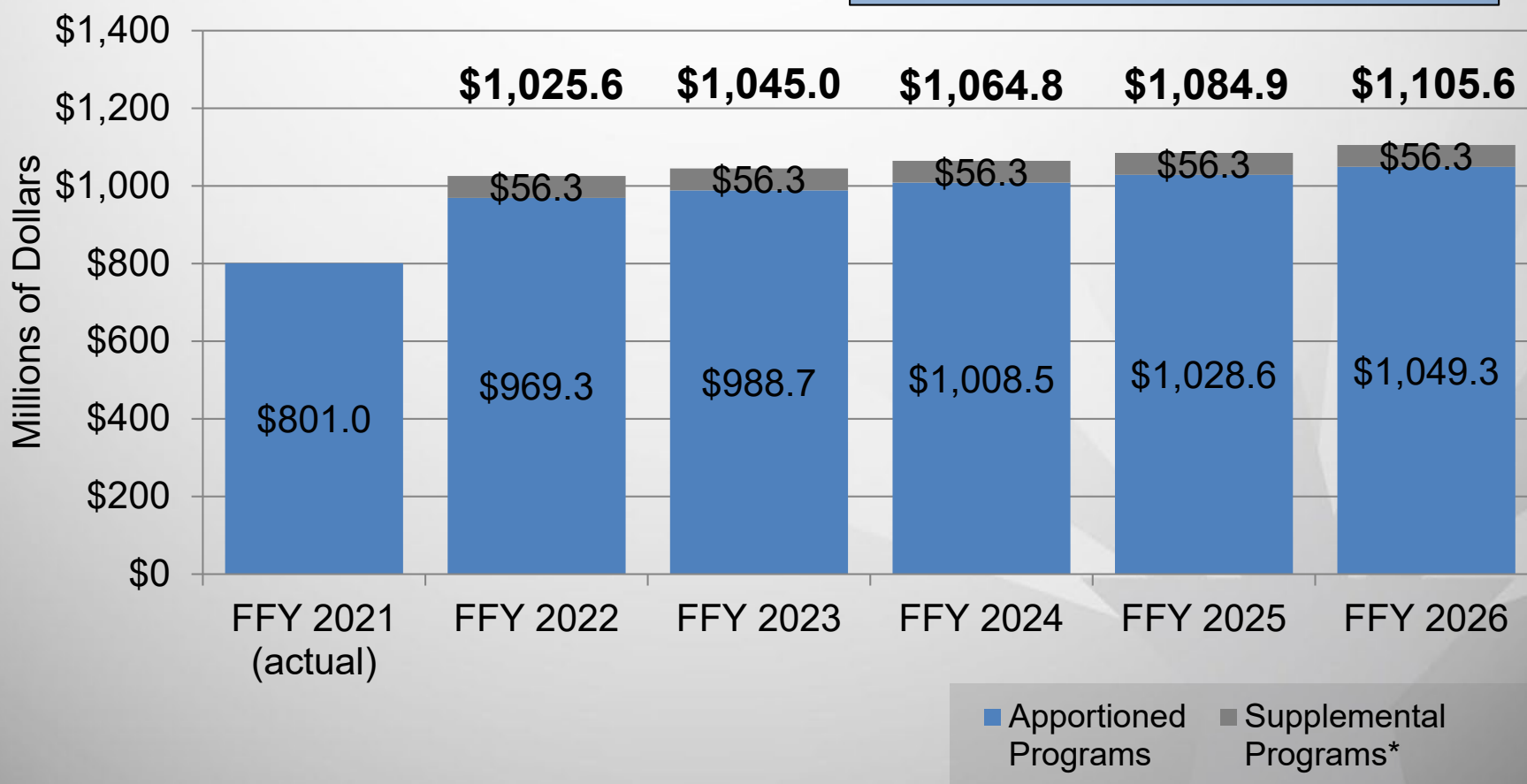
Federal Formula Funding

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IIJA/BIL Apportionment Estimates

FFY 2022 – FFY 2026

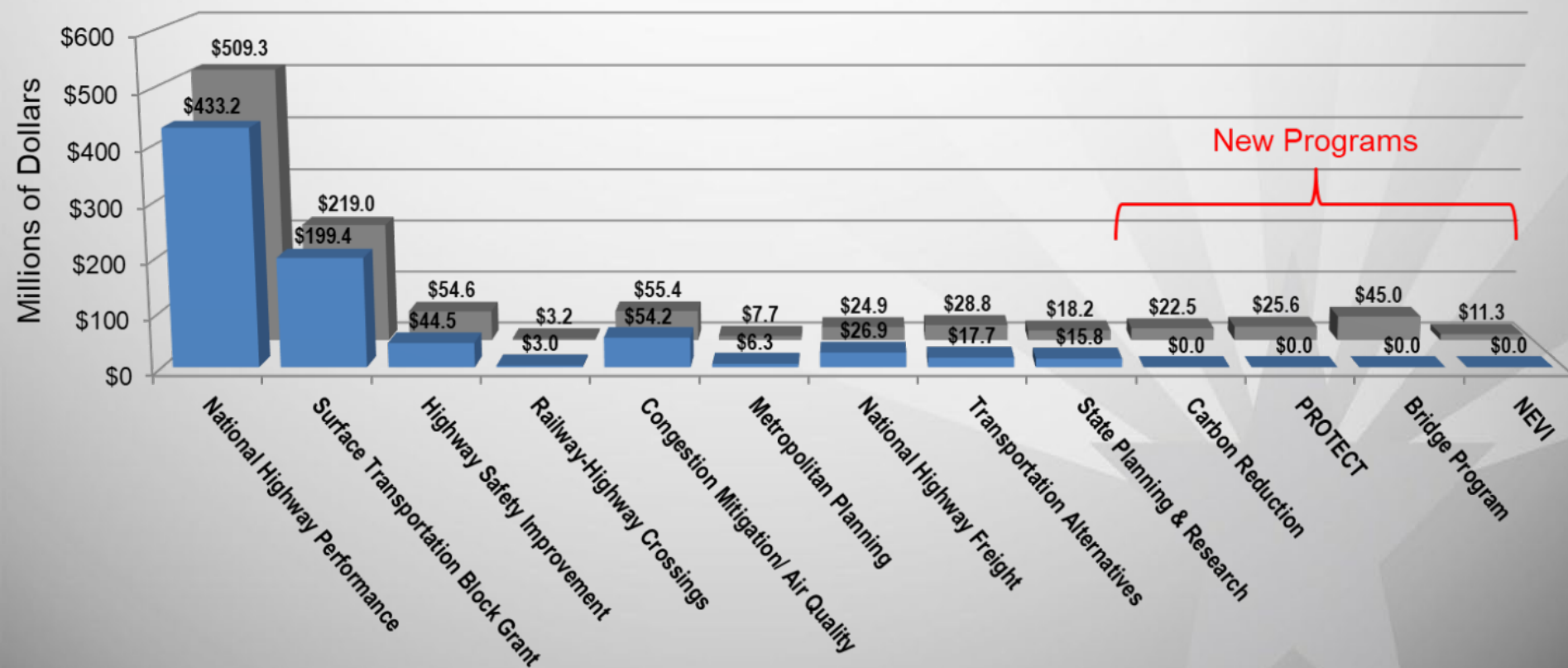
*Total Estimated IIJA funding limits:
\$5.3 billion*



*Supplemental Programs consist of Bridge Program (\$45M) and National Electric Vehicle Infrastructure (NEVI) (\$11.3M)

FAST v. IJA Appportionment Comparison

■ FFY 2021
\$801.0
 ■ FFY 2022
\$1,025.6



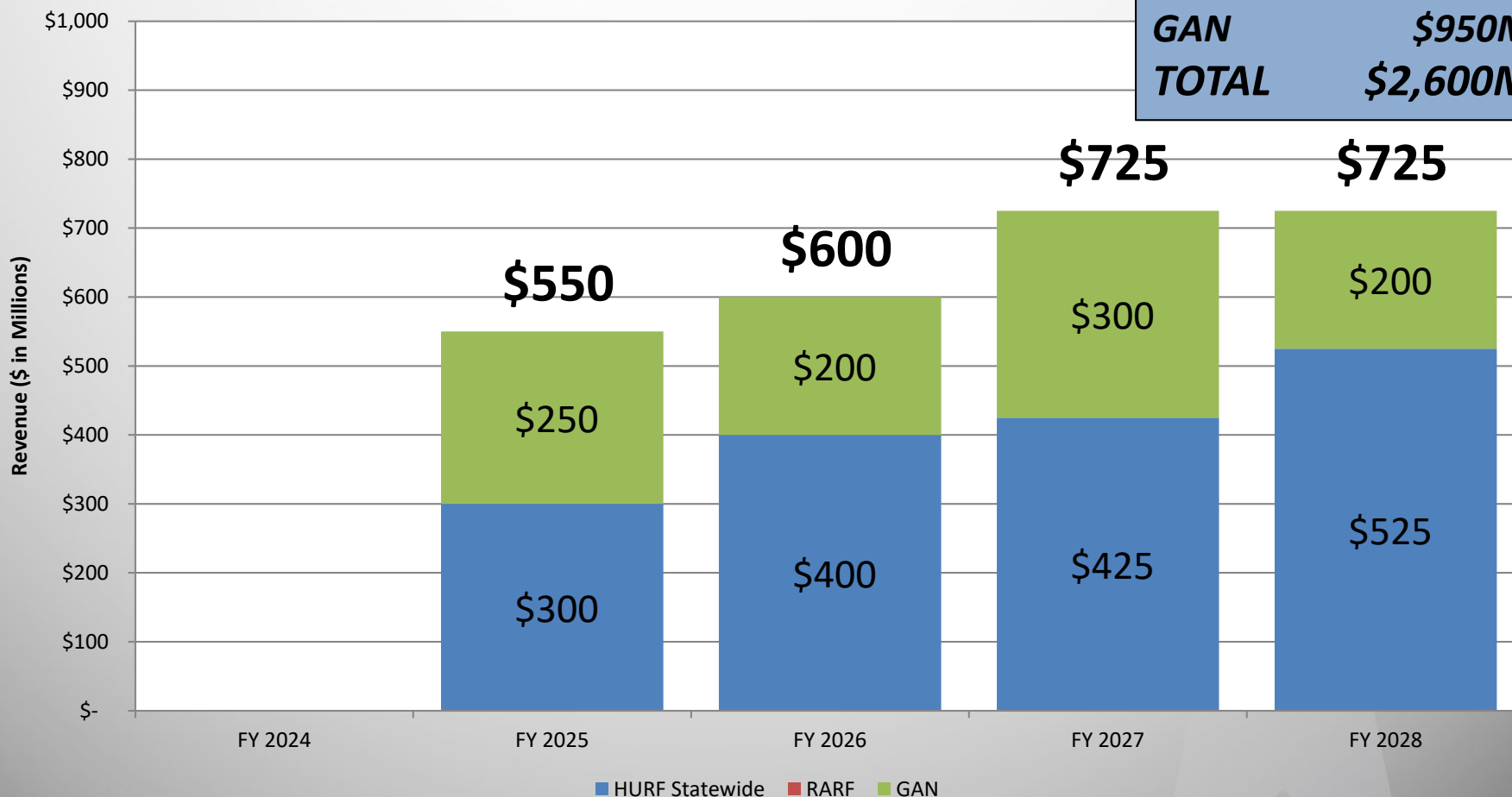
Financing Mechanisms

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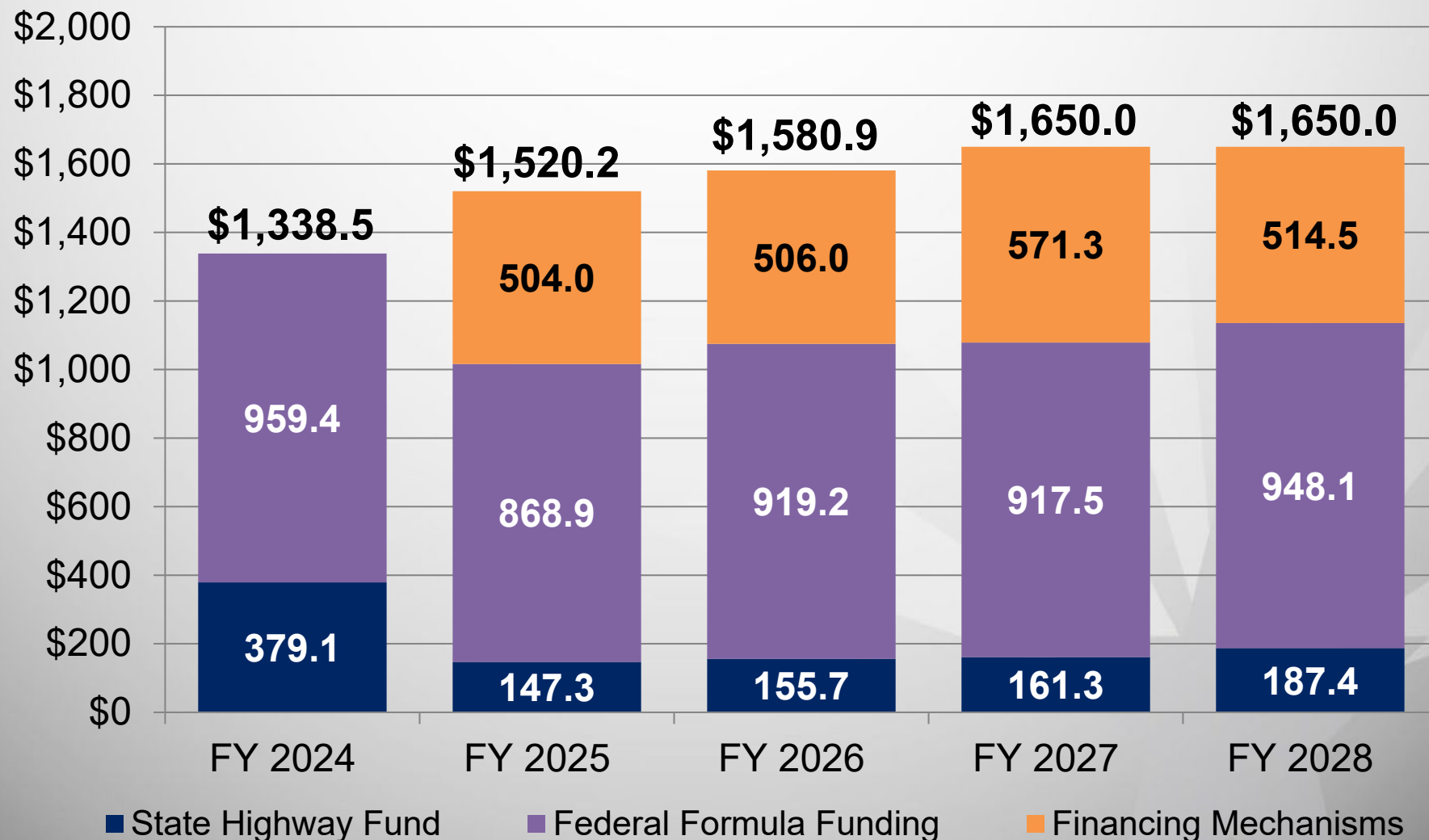
Planned Debt Issuance: FY2024 – FY2028

Bonding Totals

HURF	\$1,650M
RARF	\$0M
GAN	\$950M
TOTAL	\$2,600M



Funding Available for Tentative Program



Dollars in Millions

5 Yr Program Development: Resource Allocation

- Casa Grande Resolves (May 1999)
- Regional Allocation of Available Funding
 - Off-the-Top (per Resource Allocation Advisory Committee, 1999)
 - Ports
 - Rest Areas
 - MAG Region: 37%
 - PAG Region: 13%
 - Greater Arizona: 50%



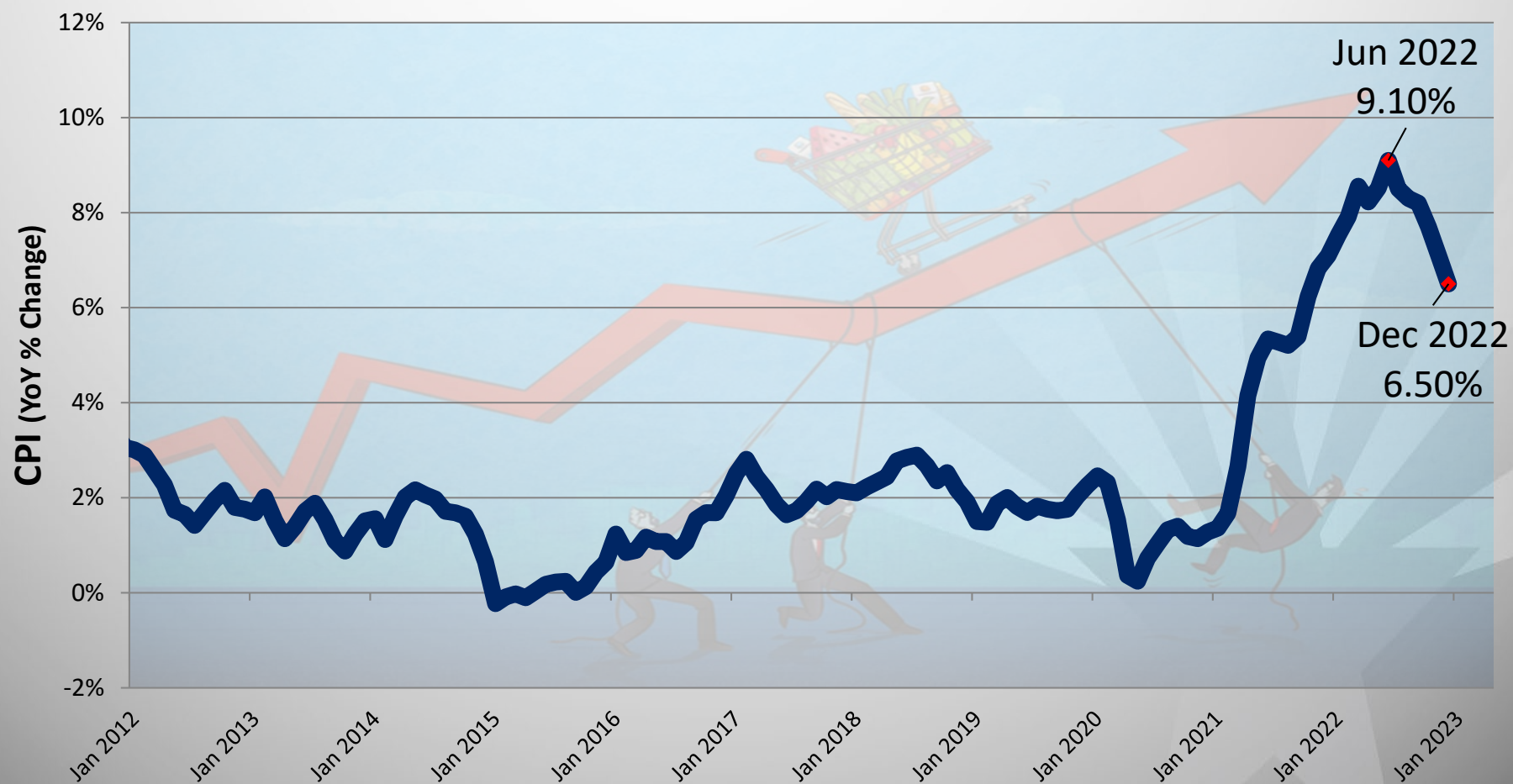
Economic Headwinds

- Inflation
- Interest Rates
- Labor Shortages
- Recessionary Concerns



US Inflation

January 2012 - December 2022

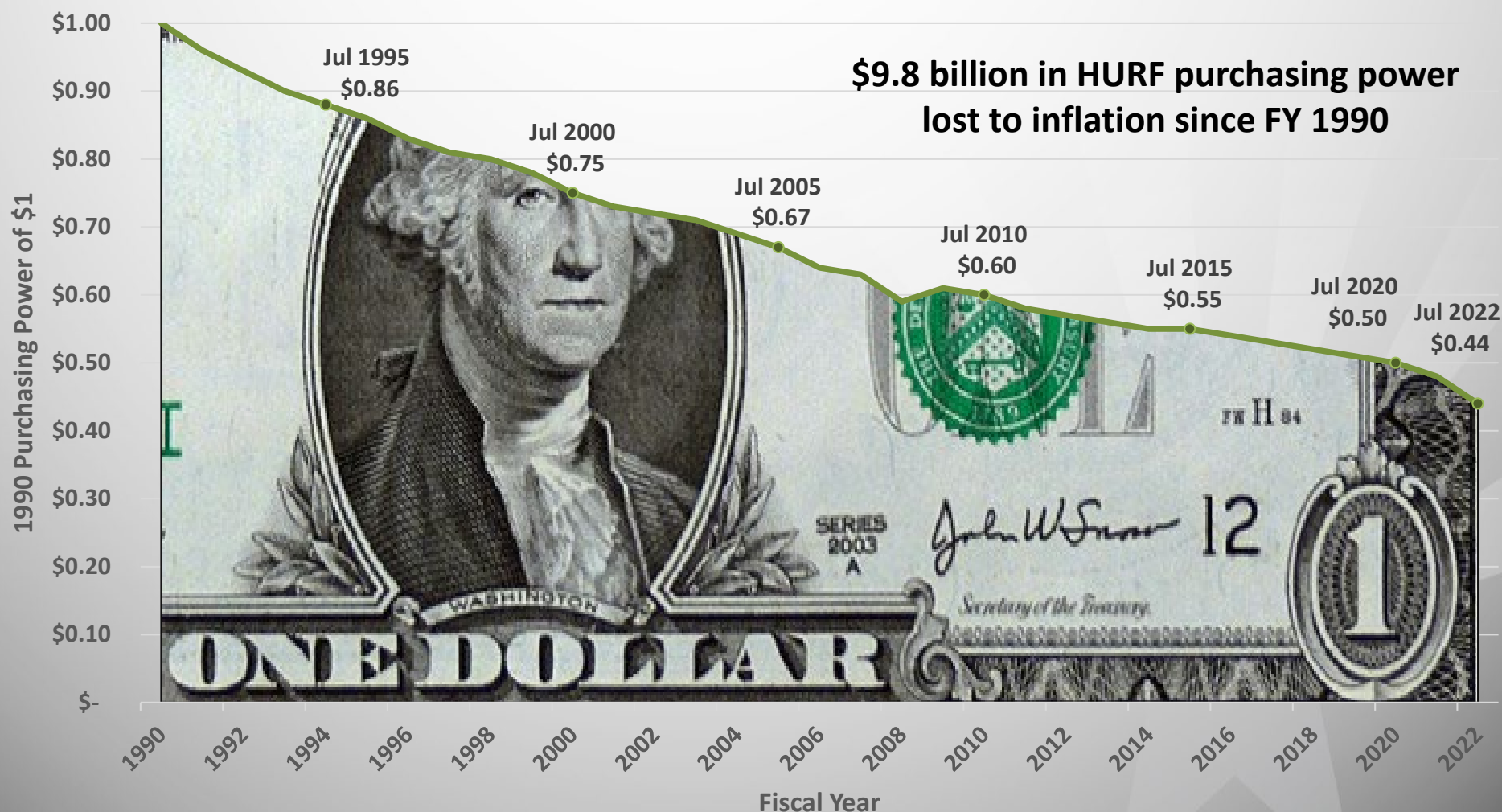


ADOT Construction Cost Index

FY 2016 – FY 2023

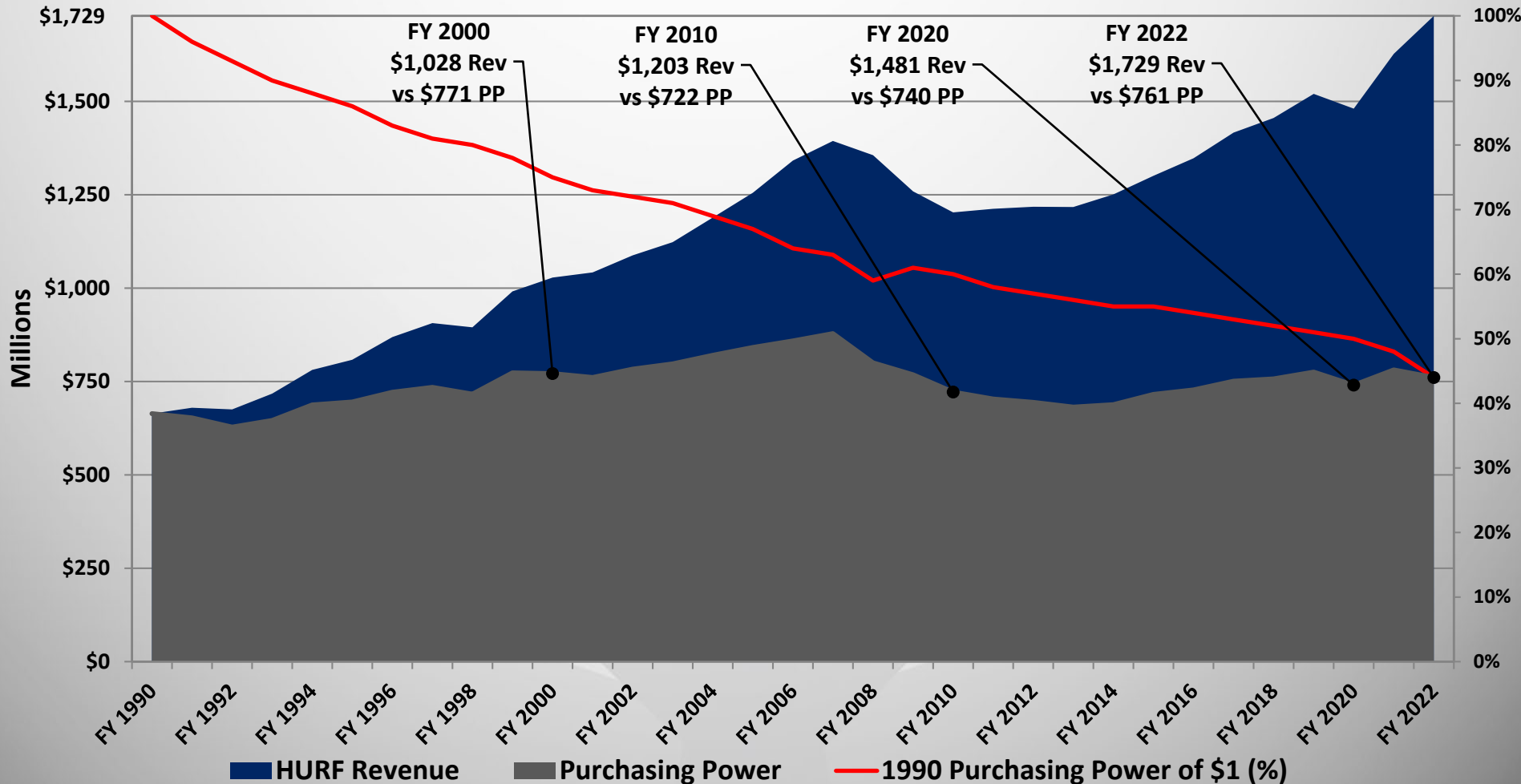


Diminishing Purchasing Power



HURF: Historic Revenue vs Purchasing Power*

FY 1990 to FY 2022



ARIZONA DEPARTMENT OF TRANSPORTATION

Rev = Revenue
PP = Purchasing Power

*1990 Purchasing Power of Historic Revenues

Diminishing Purchasing Power

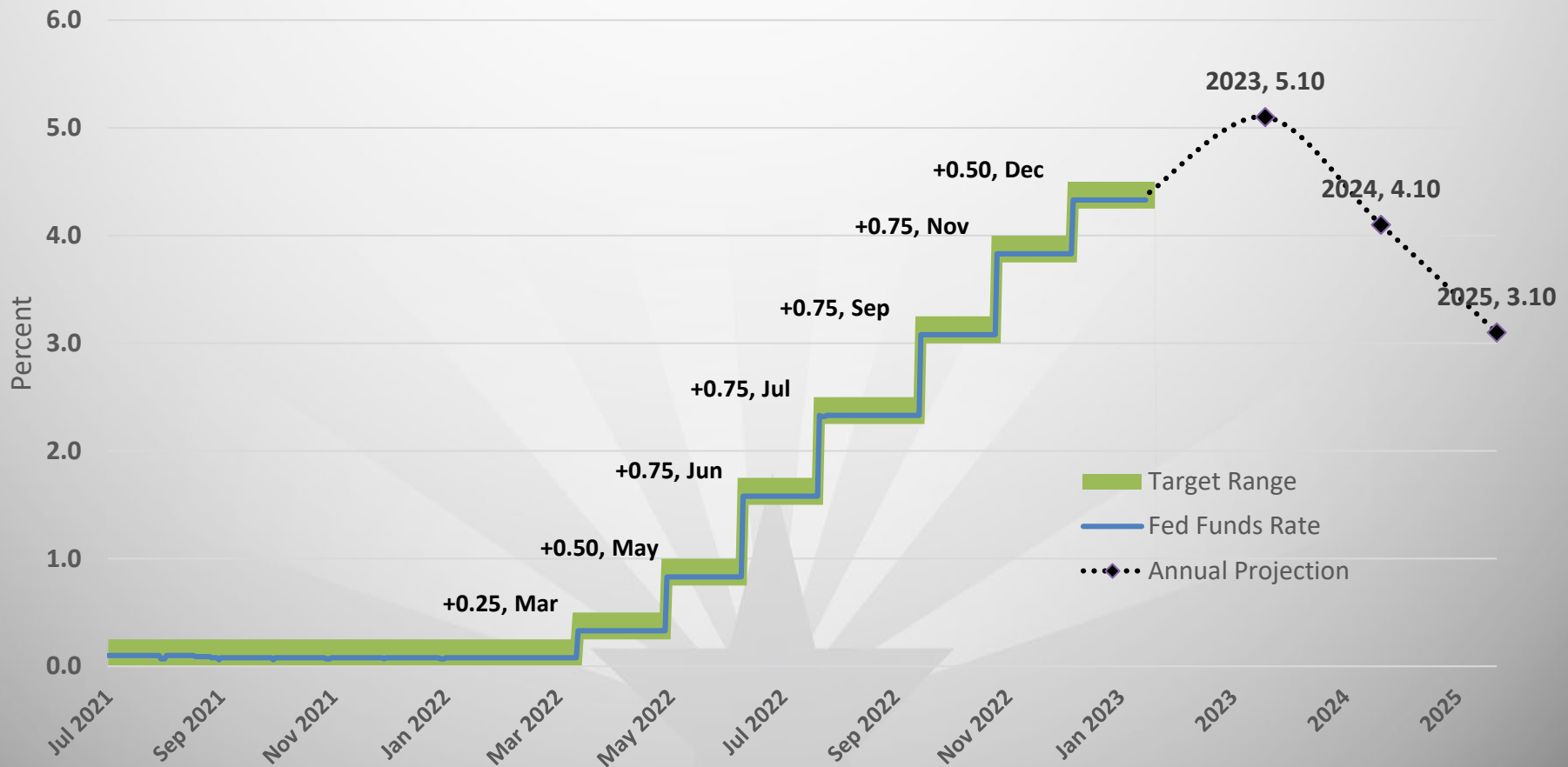
If the gas tax had been indexed to inflation in 1990, it would be 41 cents per gallon in 2022.



You need a dollar in 2022 to buy what 44 cents would have bought in 1990.

EFFECTIVE FEDERAL FUNDS RATE & PROJECTIONS

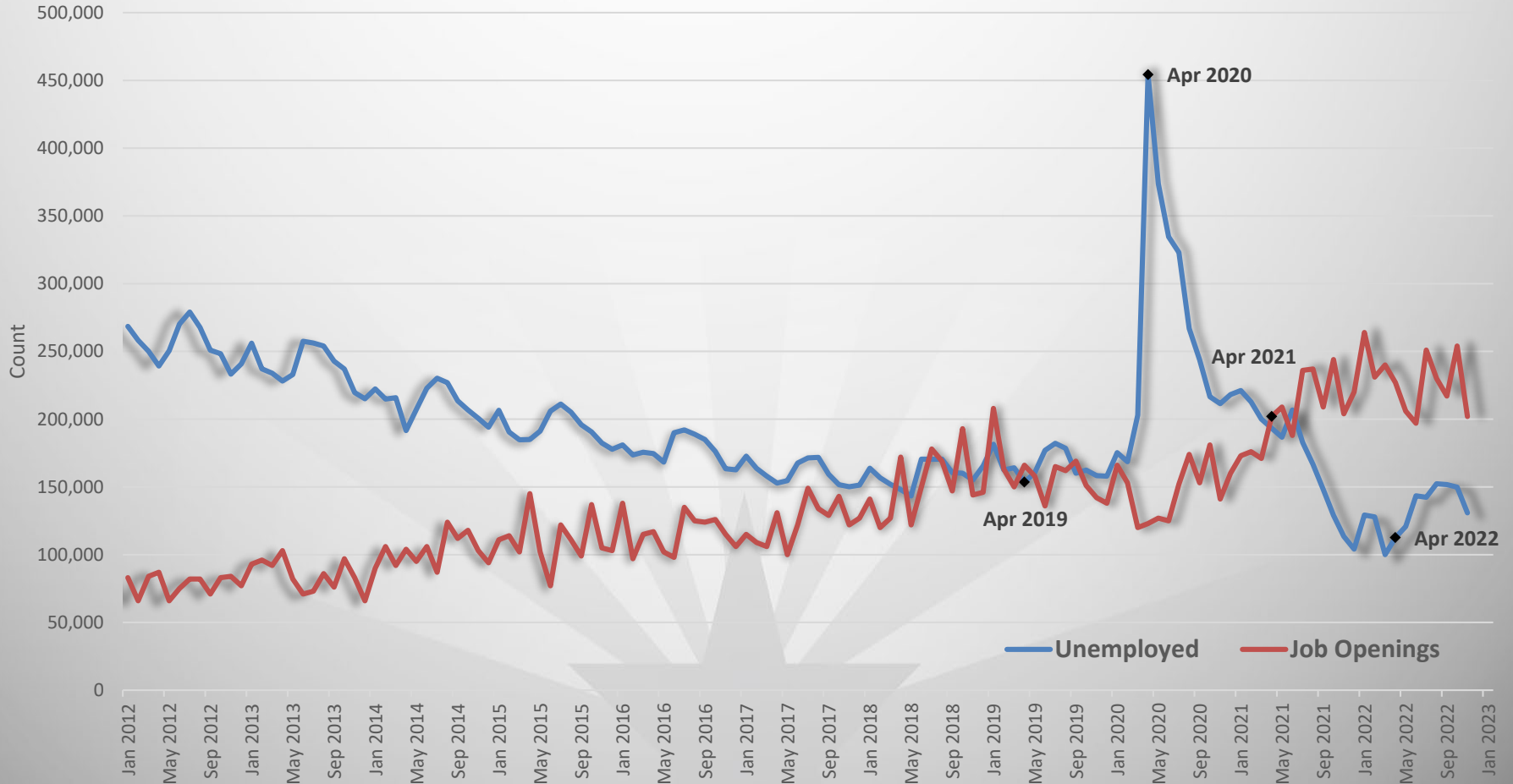
JULY 1, 2021–JANUARY 24, 2023



Source: Board of Governors of the US Federal Reserve System, Federal Open Market Committee (FOMC)

LABOR SHORTAGE

ARIZONA MONTHLY UNEMPLOYMENT VS JOB OPENINGS



Source: U.S. Bureau of Labor Statistics.

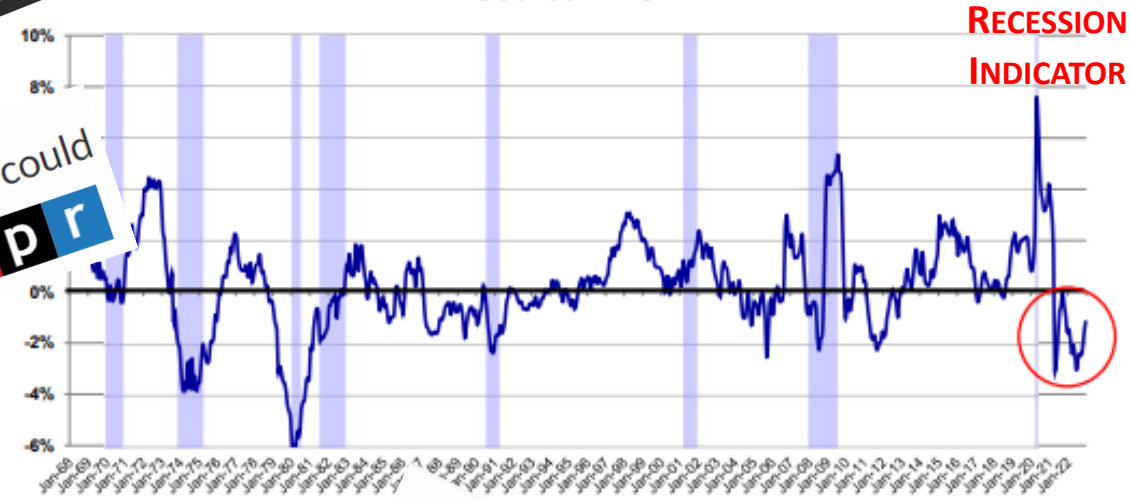
RECESSION?

Economic Report
Consumer confidence slips at start of 2023 as U.S. recession worries grow
 Last Updated: Jan. 31, 2023 at 10:44 a.m. ET
 First Published: Jan. 31, 2023 at 10:06 a.m. ET
 MarketWatch

ECONOMY
A recession might be coming. Here's what it could look like
 January 24, 2023 - 5:01 AM ET
 npr

Real Hourly Earnings Growth

% Change Y/Y
 Source: BLS



Retail Sales

% Change Y/Y
 Source: Census



ECONOMY · Published January 30, 2023 11:21am EST
Wall Street economist says recession in 2023 will look like biggest crisis of the 1970s
 FOX BUSINESS

RECEPTION
 INDICATOR

Additional Risks:

- **Congressional (In) Action**
- **State Legislative Action**
- **Climate Change**



Questions

