

# Maricopa County Transportation Excise Tax

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**Fiscal Year 2007  
Year-End Report**



**Arizona Department of Transportation  
Financial Management Services  
Office of Financial Planning  
July 2007**

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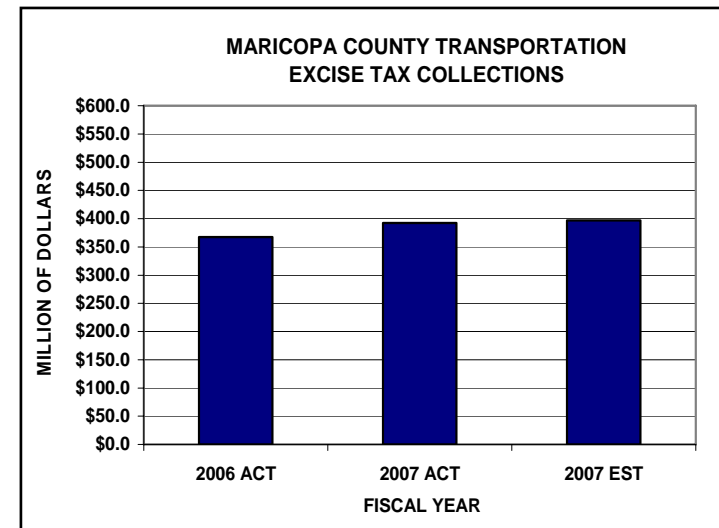
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# MARICOPA COUNTY TRANSPORTATION EXCISE TAX EXECUTIVE SUMMARY

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, 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 through December 31, 2005. In November 2004, the Maricopa County voters approved Proposition 400, Maricopa County Transportation Excise Tax, which extends 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.

The Maricopa County transportation excise tax collections totaled \$392.5 million in FY 2007, an increase of 6.7 percent over FY 2006 but 1.2 percent below the estimate. All major revenue categories posted year-over-year growth with double-digit growth in contracting, utilities and rental of real property.

The transportation excise tax revenues benefited from continued growth in population and employment in Maricopa County but were offset by uncertainty in the housing market and higher fuel prices that triggered lower consumer spending as the year progressed.



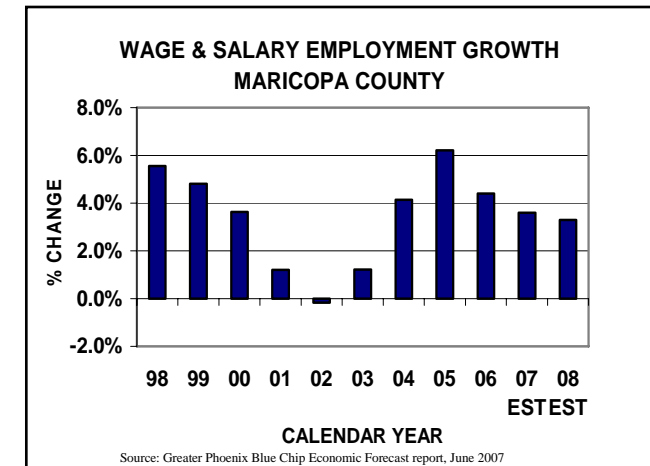
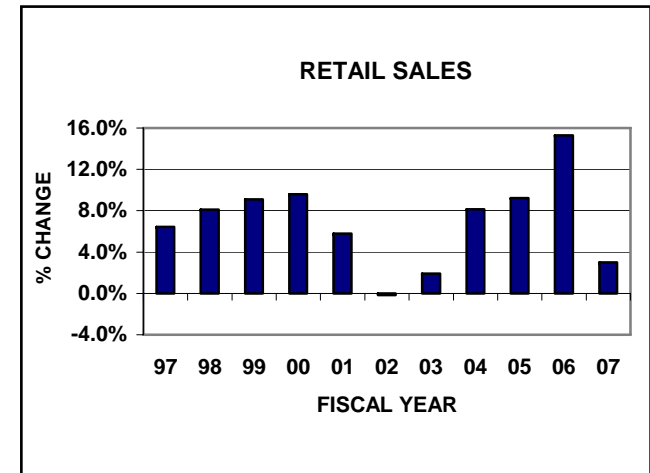
# PERFORMANCE BY CATEGORY

## RETAIL SALES:

Retail sales collections for FY 2007 totaled \$187.8 million, an increase of 3.0 percent over FY 2006 but 4.2 percent below the forecast. Retail sales in Maricopa County grew moderately in FY 2007 as consumers had less disposable income due to lower home equity and higher fuel prices. In the June 2007 issue of the Greater Phoenix Blue Chip, panel members estimated retail sales growth would slow to 6.6 percent in CY 2007 and 6.4 percent in CY 2008.

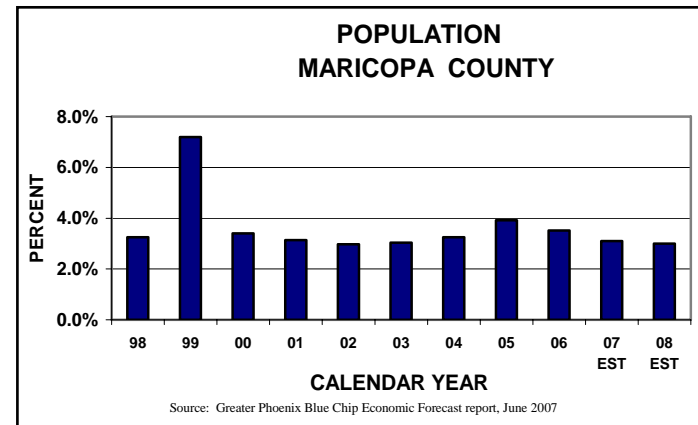
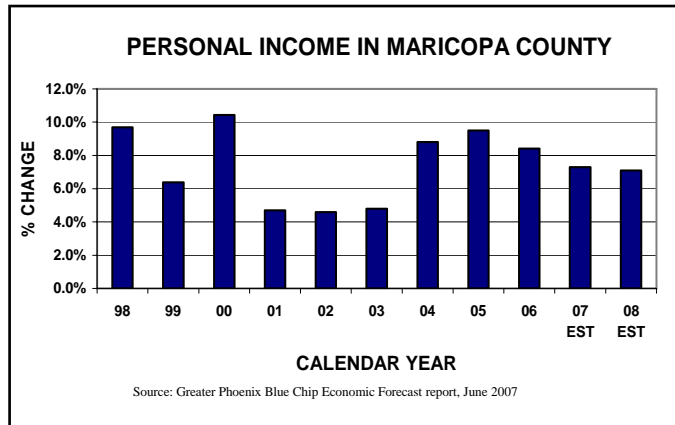
The two biggest drivers for retail sales are employment and personal income growth. Maricopa County retail sales have benefited from the growth in employment, personal income and population in recent years, but economic activity in FY 2007 slowed over the second half of the year.

The July 19, 2007 Department of Economic Security (DES) Arizona Workforce report stated that the Phoenix-Mesa MSA created 52,900 non-farm jobs from June 2006 to June 2007, an increase of 3.2 percent from June 2006. The wage and salary employment growth was 6.2 percent in CY 2005 and 4.4 percent in CY 2006. Going forward, the Greater Phoenix Blue Chip panel expects a slowdown in wage and salary employment with growth rates of 3.6 and 3.3 percent in CY 2007 and CY 2008, respectively. Based on the DES report, the Greater Phoenix Blue Chip panel may be a bit optimistic.



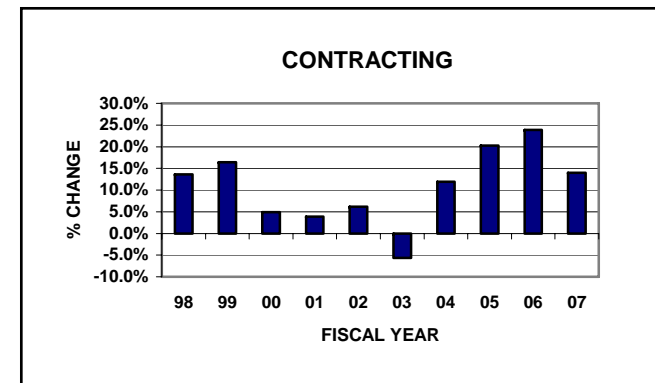
**RETAIL SALES:** Continued

Personal income is estimated to grow by 7.3 and 7.1 percent in CY 2007 and CY 2008, respectively, compared to 8.4 percent for CY 2006. The growth trend in Maricopa County personal income has slowed from a recent high of 9.5 percent in CY 2005 to 7.1 percent in CY 2008. Maricopa County population is expected to continue to increase but at a slower rate, 3.5 percent in CY 2006 to 3.1 percent in CY 2007 and 3.0 percent in CY 2008.

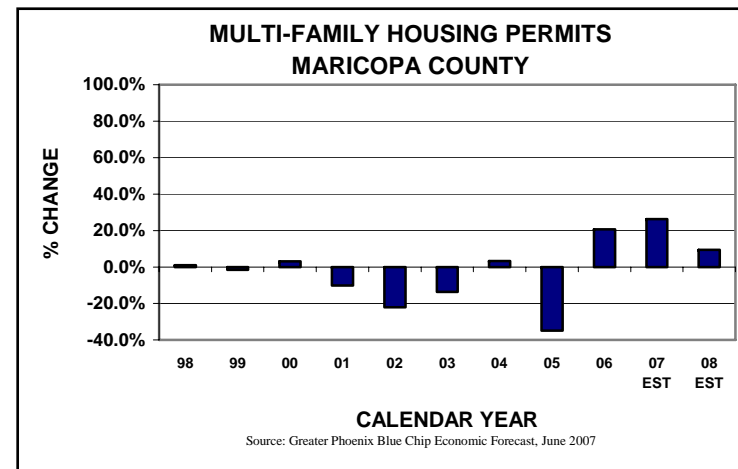
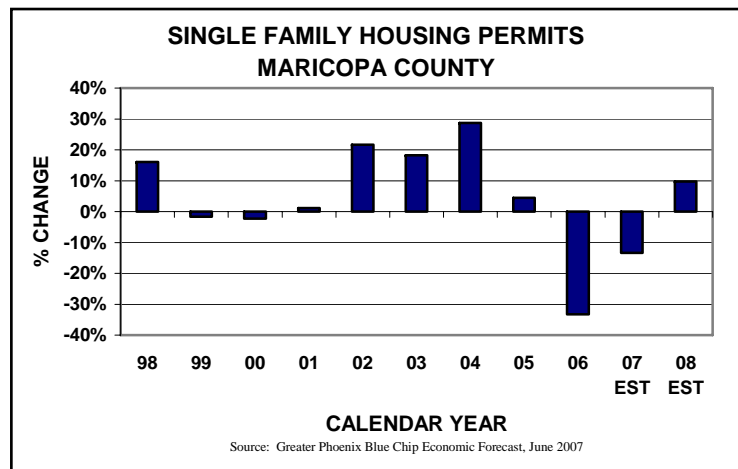


**CONTRACTING:**

Contracting revenues increased from \$64.8 million in FY 2006 to \$73.9 million in FY 2007, an increase of 13.9 percent and 2.7 percent above the forecast. This increase was mainly due to the growth in commercial and retail construction sectors supporting recent population growth. However, a majority of the growth occurred in the first half of FY 2007. U.S. Census Bureau ranked Maricopa County at the top spot in the nation for population growth with 696,000 new residents between 2000 and 2006. In addition, Phoenix is ranked as number one in terms of job growth among job markets with more than one million workers.



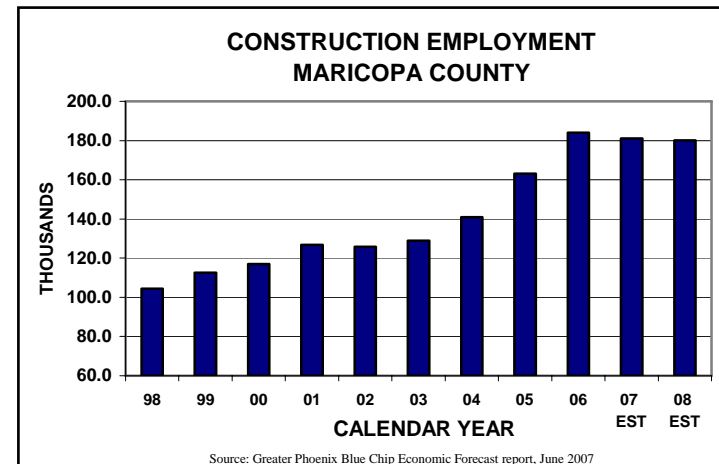
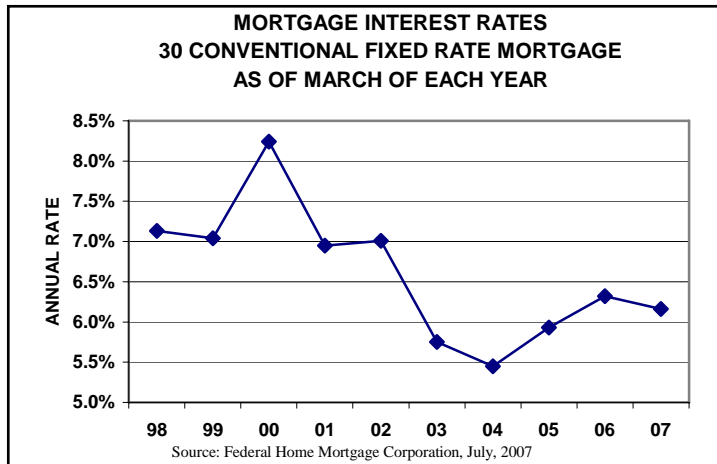
Maricopa County single-family housing permits increased 4.4 percent in CY 2005 and then fell 33.3 percent in CY 2006. The Greater Phoenix Blue Chip experts estimate that single-family housing permits will continue to decline in CY 2007 by 13.4 percent but then increase by 9.8 percent in CY 2008. Tighter lending policies and an excess supply of new and resale homes will negatively impact the single-family residential housing market in the near future. Multi-family housing permits declined by 35.0 percent in CY 2005 but then grew by 20.7 percent in CY 2006. Going forward, the multi-family housing permits are expected to increase by 26.4 percent for CY 2007 and 9.5 percent in CY 2008. The office, retail and industrial construction sectors have entered a boom period. According to the Greater Phoenix Blue Chip, 2.2 million square feet of office space was built in CY 2006 with another 3.8 and 3.0 million square feet planned in CY 2007 and 2008, respectively. Retail sector construction is expected to remain healthy with 7.0 million square feet is expected to be built in CY 2007 compared to 4.5 million in CY 2006. As for the industrial sector, construction is expected to be strong with 7.8 and 7.2 million square feet to be added in CY 2007 and CY 2008, respectively. The office, retail and industrial construction activity should help to offset some of the decline in the residential housing market.



The conventional 30 year mortgage rate increased to 6.2 percent in March 2007 from a low of 5.5 percent in March 2004. The Federal Reserve remains committed to keeping inflation under control which may move mortgage rates further upward in the near future. A rising interest rate environment will negatively impact the residential housing market in addition to the already tighter credit lending.

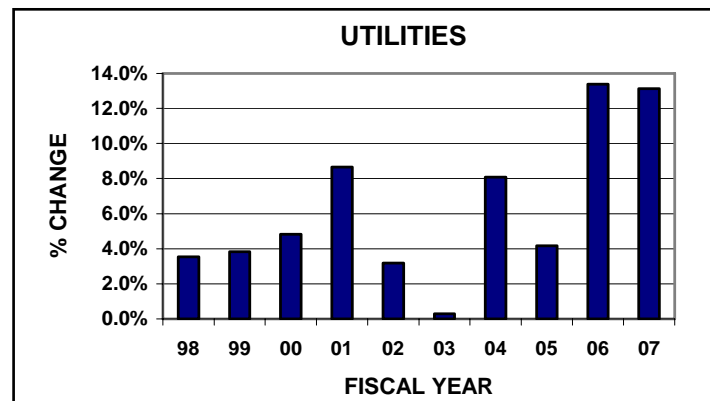
CONTRACTING: Continued

Construction employment increased by 15.8 and 4.7 percent in CY 2005 and CY 2006, respectively, but is expected to decrease 1.6 and 0.5 percent in CY 2007 and CY 2008. Construction activity in the office, retail and industrial sectors should soften the decrease in construction employment caused by the residential sector slowdown.



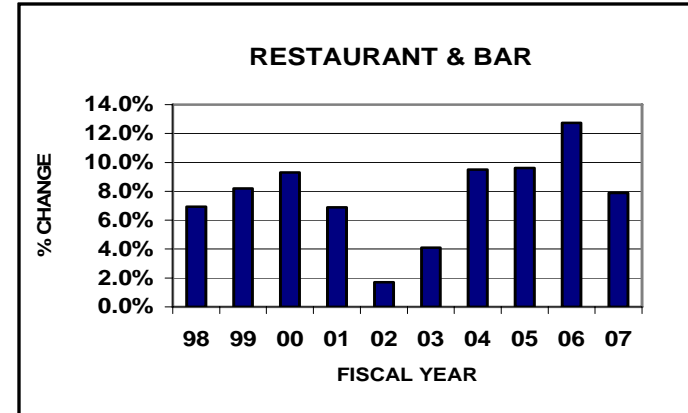
UTILITIES:

Utility tax collections totaled \$26.7 million, an increase of 13.1 percent over FY 2006 and 3.9 percent above the forecast. The growth in utility revenues was fueled by utility rate increases and strength in the commercial, industrial and retail construction sectors.



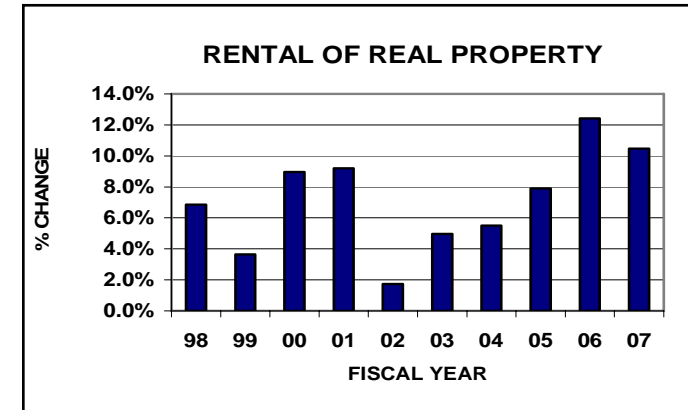
### RESTAURANT AND BAR:

In FY 2007, restaurant and bar revenues amounted to \$33.1 million, an increase of 7.9 percent over FY 2006 and 0.8 percent above the estimate. The restaurant and bar revenue category benefited from three college football bowl games played in December 2006 and January 2007, the FBR Open golf tournament in January 2007 and the Cactus league spring training in March 2007. However, higher fuel prices may have slowed the growth, which was the slowest growth since FY 2003.



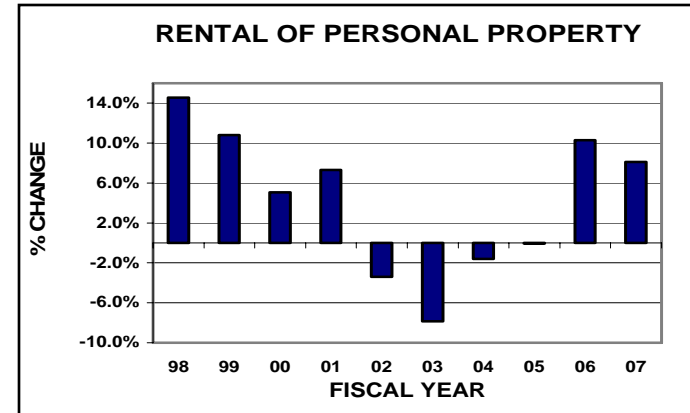
### RENTAL OF REAL PROPERTY:

Rental of real property collections totaled \$36.4 million in FY 2007, an increase of 10.5 percent above FY 2006 and 3.4 percent over the forecast. This revenue category includes rental of commercial, residential and transient lodging (hotel/motel) facilities. According to Arizona Office of Tourism, the lodging occupancy rate in metro Phoenix increased to 68.2 percent in CY 2006 compared to 67.0 percent in CY 2005, an increase of 1.8 percent year-over-year. Rental of real property revenue category benefited from the strong sporting and tourism activities during the year along with higher room rates.



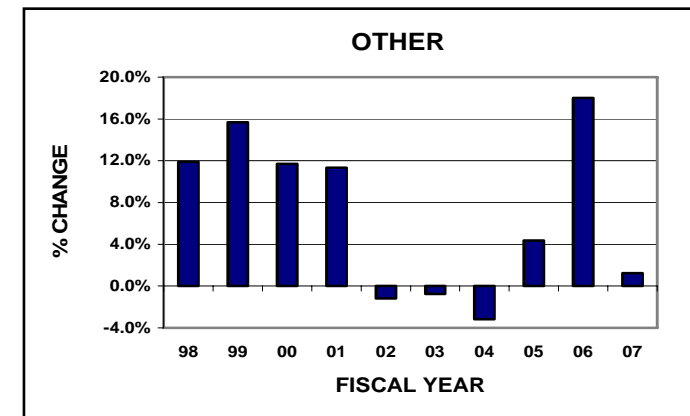
RENTAL OF PERSONAL PROPERTY:

FY 2007 rental of personal property collections amounted to \$15.1 million, an increase of 8.1 percent over FY 2006 and 1.7 percent above the estimate. Rental of personal property benefited from the strong commercial and industrial construction activities which led to higher demand for leasing of construction equipment.



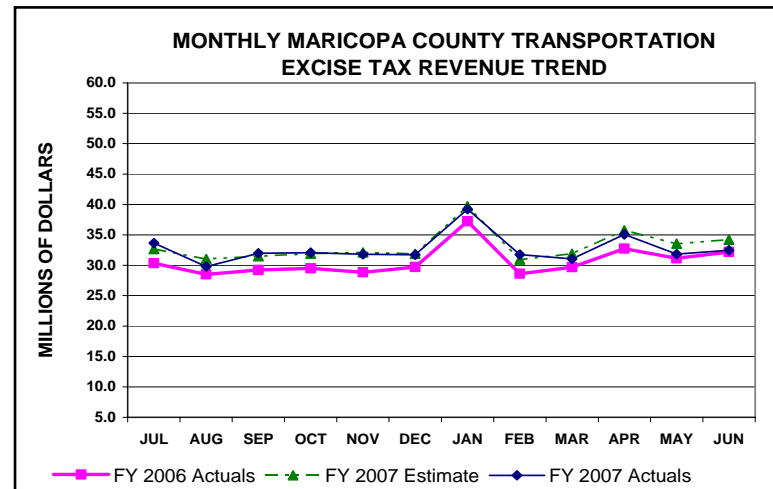
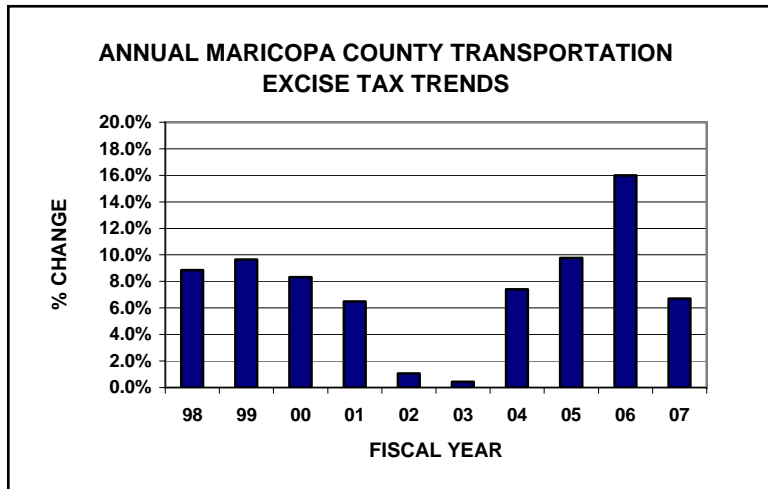
OTHER:

In FY 2007 "other" collections totaled \$19.5 million, an increase of 1.2 percent over FY 2006 but was 5.6 percent below the forecast. The higher "other" revenue category was due to higher communications, amusement, railroad and aircraft collections during the fiscal year. The revenue growth in FY 2006 was due to a one-time revenue gain in the miscellaneous other revenue. The "other" revenue category includes collections from transportation and towing, communications, railroad and aircraft, private rail and pipeline, publishing, printing, amusement, jet fuel tax and miscellaneous other revenues.





# REVENUE TREND ANALYSIS



The Maricopa County transportation excise tax collections totaled \$392.5 million in FY 2007, another record year for excise tax revenue collections. Although the excise tax revenues came up short of the estimate by 1.2 percent, all major revenue categories showed year-over-year increases with contracting, utilities and rental of real property posting double-digit growth. It should be noted the majority of the revenue growth occurred in the first half of the fiscal year.

On a monthly basis, transportation excise tax revenues continued to follow a consistent trend with sharp increases in revenues in January and April due to holiday retail sales, college bowl games, baseball spring training and winter visitors.

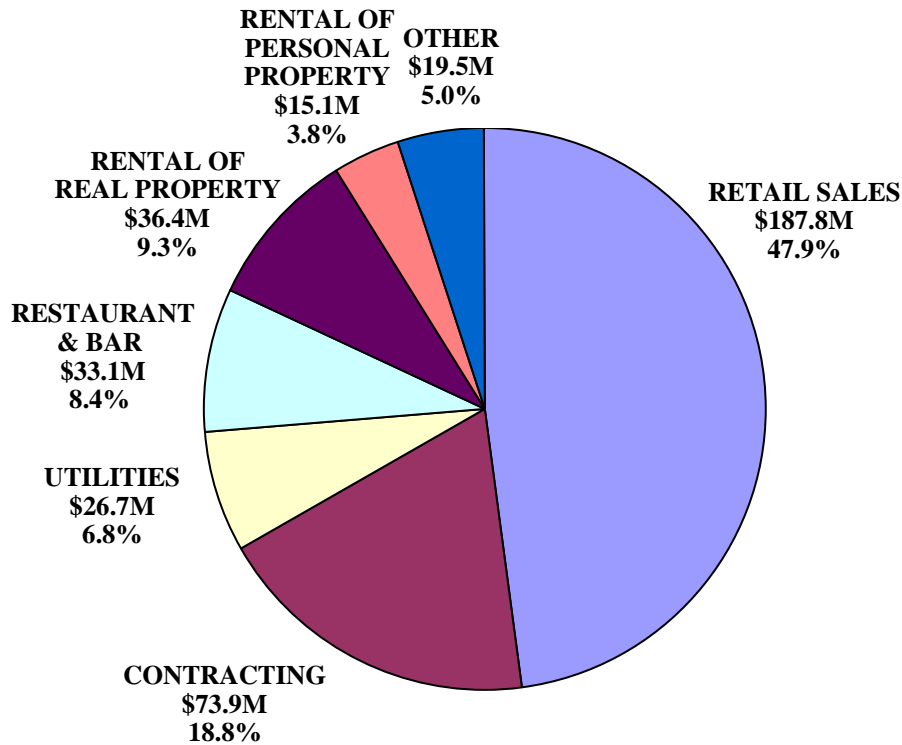
# REVENUE PERFORMANCE

## MARICOPA COUNTY TRANSPORTATION EXCISE TAX

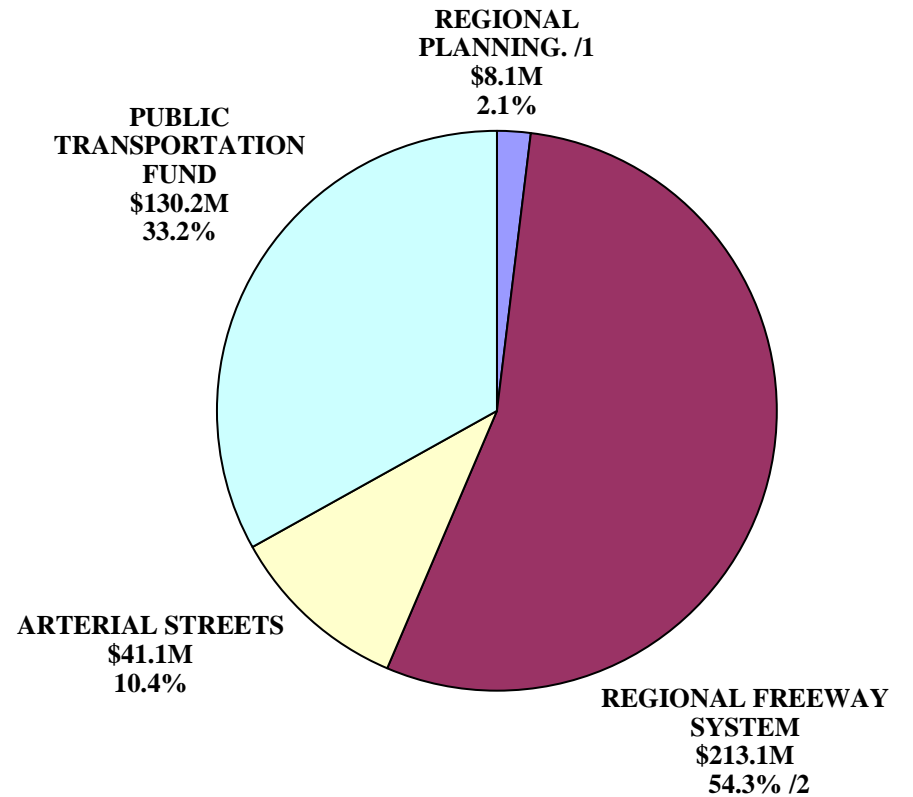
### FY 2007 ACTUAL

**TOTAL= \$392.5 MILLION**

#### SOURCES



#### DISTRIBUTIONS



Note: 1/ Funds split evenly between Maricopa Association of Government and the Public Transportation Fund to be used for planning purpose.

2/ Percentage variance due to Prop. 300 collections.

# MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE COMPARISON STATEMENT FY 2007

CATEGORY	FY 2006 ACTUAL	FY 2007 ACTUAL	CHANGE	FY 2007 ESTIMATE	CHANGE
RETAIL SALES	\$182,377,935	\$187,816,622	3.0%	\$196,000,000	-4.2%
CONTRACTING	\$64,822,303	\$73,864,335	13.9%	71,900,000	2.7%
UTILITIES	\$23,600,464	\$26,697,238	13.1%	25,700,000	3.9%
RESTAURANT & BAR	\$30,655,980	\$33,073,445	7.9%	32,800,000	0.8%
RENTAL OF REAL PROPERTY	\$32,949,106	\$36,398,154	10.5%	35,200,000	3.4%
RENTAL OF PERSONAL PROPERTY	\$13,922,691	\$15,053,411	8.1%	14,800,000	1.7%
OTHER	\$19,308,917	\$19,548,401	1.2%	20,700,000	-5.6%
<b>TOTAL</b>	<b>\$367,637,396</b>	<b>\$392,451,606</b>	<b>6.7%</b>	<b>\$397,100,000</b>	<b>-1.2%</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 – 2007 (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%
<b>TOTAL</b>	<b>\$2,161,530</b>	<b>\$646,246</b>	<b>\$324,077</b>	<b>\$361,583</b>	<b>\$395,591</b>	<b>\$206,405</b>	<b>\$237,395</b>	<b>\$4,332,827</b>	

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 2007) = 7.4%

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

# MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE DISTRIBUTION FY 1986 – 2007 (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			316,805
2006/3	292,487	7,877	\$16,127	\$51,146	367,637
2007	213,119	8,095	\$41,050	\$130,188	392,452
Total	\$3,955,296	\$139,020	\$57,177	\$181,334	\$4,332,827

- Notes: 1/ The Maricopa County transportation excise tax became effective on January 1, 1986 per Prop. 300. Prop. 300 collections total \$3,788,281,000 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 Regional 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 \$544,546,000 from date of inception.

# ARIZONA TRANSACTION PRIVILEGE TAX

## EXCISE TAX RATES

### FY 2007

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	47.86%	5.00%	0.50%
Contracting	18.82%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	9.27%	1.82% *	0.512%
Restaurants and Bars	8.43%	5.00%	0.50%
Utilities	6.80%	5.00%	0.50%
Rental of Personal Property	3.84%	5.00%	0.50%
Communication	2.93%	5.00%	0.50%
Amusements	1.06%	5.00%	0.50%
Publishing and Printing	0.53%	5.00%	0.50%
Other	0.46%	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

<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