2050 Long-Range Transportation Plan

ADOT

Baseline and Projected Revenues

Connecting Arizona. Better Lives Through Better Transportation.

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1 Introduction

This working paper provides an analysis of future revenue projects to support the Arizona Department of Transportation (ADOT) 2050 Long-Range Transportation Plan (LRTP) and can be utilized with the prior IIJA/BIL working paper. This paper outlines transportation funding in Arizona, analyzing future scenarios that may impact funding, and highlights the projected future transportation funding available to ADOT over a 25-year evaluation period. The analysis focuses on three primary funding sources – the Highway User Revenue Fund (HURF), Maricopa County's Transportation Excise Tax, and federal formula funding – and was done in coordination with the ADOT Office of Financial Management Services. This document additionally highlights the data sources, methodologies and assumptions made in order to develop the forecast for future transportation funding.

1.1 Funding Scenarios

Future funding available for investments through the LRTP are estimated on the best available information at the time of the analysis and are subject to change. To estimate the magnitude of future funding, anticipated revenues are derived from existing baseline forecasts, where available, with ranges developed for optimistic (high) and pessimistic (low) scenarios based on different probabilistic outcomes of the revenue forecasting models. The forecasts reflect total revenue collections prior to distributions to other agencies.

The three forecasts evaluated include:

- **Base Forecast** – For future state funding, assumes ADOT HURF official revenue forecast (September 2022), based on 55 percent confidence interval, and Maricopa County Transportation Excise Tax official revenue forecast (September 2022), based on 50 percent confidence interval plus an assumption that the tax is extended for an additional 25 years. For future federal funds, assumes the current authorization at 2022 levels through the end of the forecast horizon without increases. Revenue growth between FY 2043- FY 2050 for HURF and the Maricopa County Transportation Excise Tax are based on ADOT's "Base Forecast" growth rates.
    - **Base Forecast Adjusted** – ADOT's Official Base Forecast of the Maricopa County Transportation Excise Tax is bound to the term of the tax.
- **Alternative Forecast High** –For future state funding, assumes ADOT HURF risk analysis forecast at the 40% confidence interval (September 2022) and Maricopa County Transportation Excise Tax risk analysis forecast at the 40% confidence interval (September 2022). For future federal funds, assumes escalation of IIJA/BIL funds through FFY 2026 and a $200 million increase per year with IIJA/BIL replacement funding package in 2027. Revenue growth between FY 2043-FY 2050 for HURF and RARF are based on ADOT's 40% confidence interval annual growth rates.
- **Alternative Forecast Low** – For future state funding, assumes ADOT HURF risk analysis forecast of 60% confidence interval (September 2022) and a termination of Maricopa County Transportation Excise Tax funding in calendar year 2026 with the expiration of the current tax measures (assumption that a replacement measure will not be approved). For future federal funds, assumes the current authorization at 2022 levels through 2026, and a return to lower FAST Act funding levels after expiration of IIJA/BIL. Revenue growth between FY 2043- FY 2050 for HURF is based on ADOT's 60% confidence interval annual growth rates.

The forecast values within each scenario are then adjusted based on the assumed ADOT share of revenue when accounting for allocations to other agencies. The following sections provide the methodology and assumptions used to derive the LRTP revenue forecast. The baseline forecast value assumptions through FY 2032 for HURF and through FY 2026 for the Maricopa County Transportation Excise Tax can be accessed through the following documents:

HURF Forecast: https://apps.azdot.gov/files/FMS/HURF/Forecasting/hurfcastproc2332.pdf

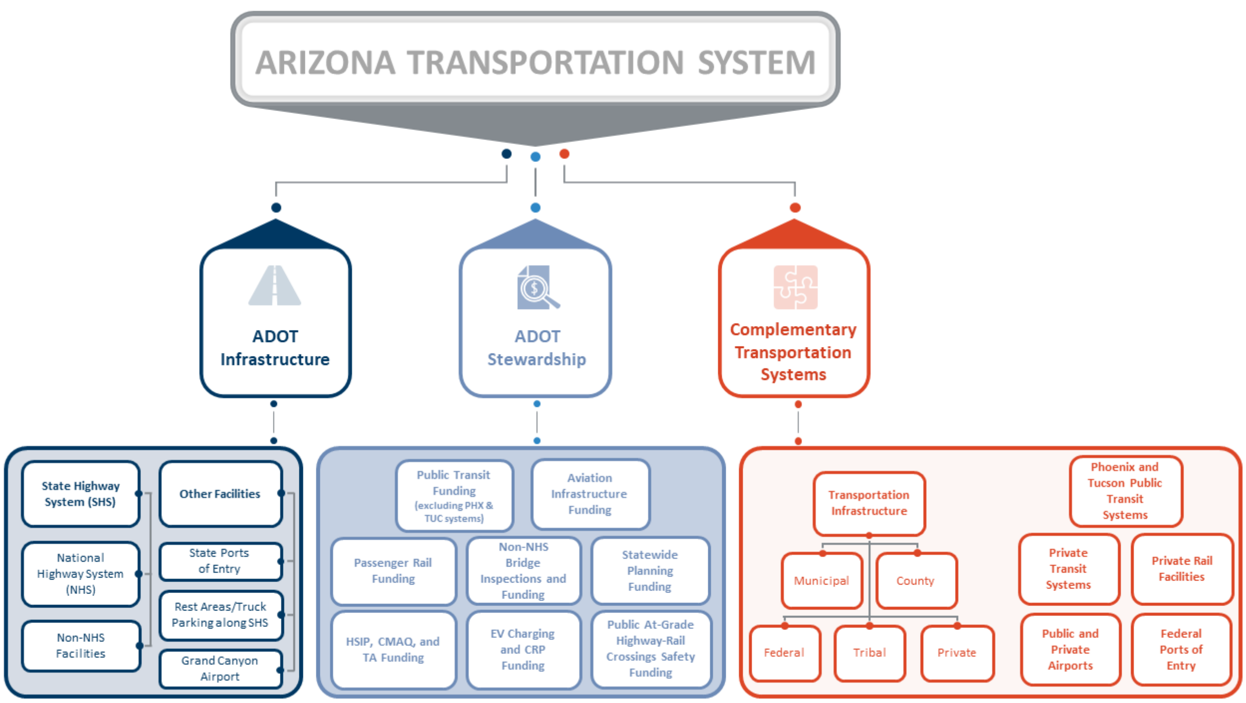
RARF Forecast: https://apps.azdot.gov/files/FMS/RARF/Forecasting/rarfcastproc2326.pdf

Forecast values beyond the provided HURF and RARF projection years were provided by ADOT through FY 2042, and corresponding forecast growth rates between FY 2043 and FY 2050.

2 Overview of Transportation Funding

Transportation projects in Arizona, including those on the State Highway System, are paid for with a combination of federal, state, and local funding sources. Discretionary funding that goes to ADOT is used on the State Highway System (SHS) which includes roadway, sidewalk, bike lanes, ITS, and other ADOT Infrastructure. ADOT is responsible for the administration and distribution of several fund sources that flow through the department not for use on the SHS. The following sections outline sources available for ADOT Infrastructure, ADOT Stewardship, and Complementary Transportation Systems.

The ADOT LRTP 2050 Needs Analysis identifies three key divisions of Arizona's Transportation system (1) ADOT Infrastructure (2) ADOT Stewardship, and (3) Complementary Transportation Systems. ADOT funding sources are used for ADOT infrastructure, primarily consisting of the State Highway System and other ADOT owned facilities. The department is also responsible for



administering and distributing federal and state pass through funds which help to fund ADOT Stewardship and Complementary Transportation System. ADOT's role in funding each division of Arizona's transportation system is discussed in the following sections.

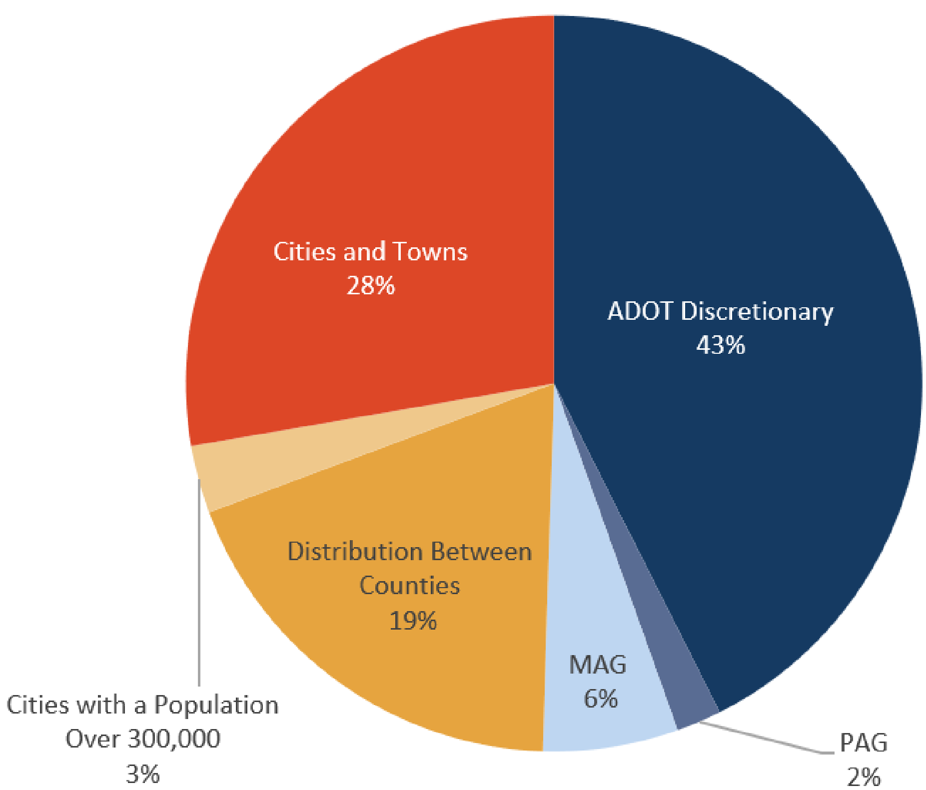
2.1 ADOT Infrastructure

Funding that is spent on ADOT Infrastructure comes from the Highway User Revenue Fund, Maricopa County's Regional Area Road Fund, and federal funding. In addition, legislative appropriations from the general fund are used to help fund ADOT infrastructure projects. Funding is primarily applied to the State Highway Systems consisting of roadways, sidewalks, bike lanes and other infrastructure along the State Highway System. The following sections provide a brief summary of the sources of these funds, historical amounts, how the funds are distributed and what portion of these funds are available for State Highway funding.

2.1.1 Highway User Revenue Fund (HURF)

The Highway User Revenue Fund is the largest of the three transportation funding sources for the State of Arizona. Revenue for the fund is derived from State of Arizona taxes on motor fuels and a variety of fees and charges relating to the registration and operation of motor vehicles on public highways. Specific revenue sources include gasoline, diesel and other fuel taxes, motor-carrier taxes, vehicle-license taxes, motor vehicle registration fees and other miscellaneous fees. Revenue generation is largely dependent on vehicle-related costs; hence HURF revenue is tied closely to changes in population and the vehicle fleet. In 2022, the HURF generated $1.73 billion which is a 68% increase from 2012 ($1.03 billion), largely through strong economic growth in the state resulting in expansion of the vehicle fleet and increased overall fuel consumption, and other vehicle related fees. While HURF revenues fluctuate from year to year, the distributions of HURF are based on a set distribution formula and bills passed by the state legislature. Off the top distributions are distributed first; for example, the State Lake Improvement Fund (SLIF) and the Off-Highway Vehicle Recreation Fund (OHVRF). Following off the top distributions, distributions to cities and counties

Figure 2: HURF Distribution



Source: ADOT 2022

make up 49.5% while the remaining 50.5% goes to the State Highway Fund. Within the State Highway Funds, there are further off the top distributions and then 15.2% is allocated to MAG and PAG, leaving 84.8% of the original 50.5% (after off the top distributions) for ADOT uses (approximately 43% of total HURF). ADOT funds are primarily used for the operating budget, debt service, and in support of projects on the State Highway System.

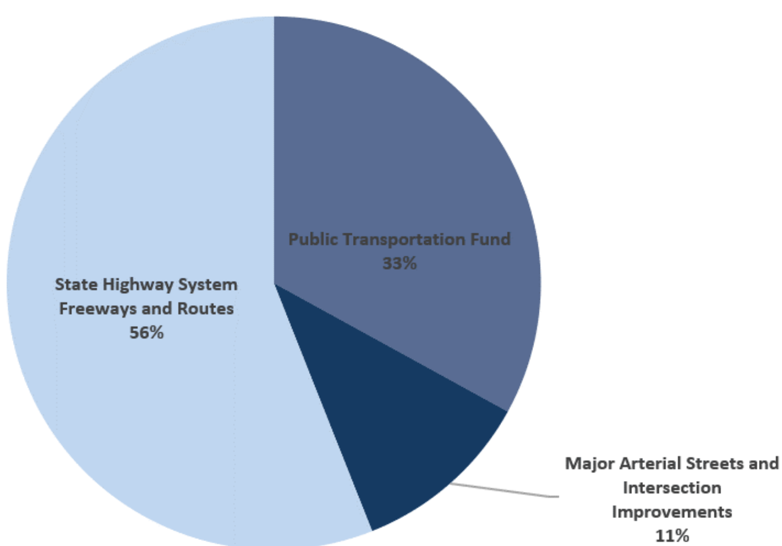
2.1.2 The Maricopa County Transportation Excise Tax

In 2004, Maricopa County voters approved the extension of the levy of the Maricopa County Transportation Excise Tax for an additional 20 years, expiring December 31, 2025. Often referred to as the "half-cent sales tax," the 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. Two thirds of the half-cent sales tax collections are deposited into the Maricopa County Regional Area Road Fund (RARF), and one third is deposited into a public transportation fund. ADOT administers the RARF and the Maricopa County Regional Public Transportation Authority is responsible for administering the public transportation fund.

As a result of economic growth in Maricopa County, the Maricopa County Excise Tax has grown from $324 million in 2012 to $664 million in FY 2022. The currently imposed tax expires at the end of 2025 and requires voter approval of a new measure to continue. A new voter approved measure may differ in terms of revenue generation sources and rates, and the percent of funds allocated toward investment in expansion or improvement of the state highway system in Maricopa County.

The Maricopa County Half-cent sales tax is distributed to three functional areas: (1) State Highway System, (2) Major Arterials and Intersections, and (3) Public Transportation. Currently the distribution formula is 56.2% for the Regional Transportation Freeway Program (RTPFP). As of the Development of this document in February 2023, no proposal for Prop 400 has been approved by the legislature to be voted on by the public. For the purpose of this document the current distribution of 56.2% to Freeways, 10.5% to Arterials, and 33.3% to Public Transportation Fund will be used. This will likely differ from the distribution percentages in an adopted extension of the tax. If a proposal is passed, this document will be amended to reflect the actual distributions of the tax.

Figure 3: Maricopa County's Half-Cent Sale Tax Distributions 2005-2025*

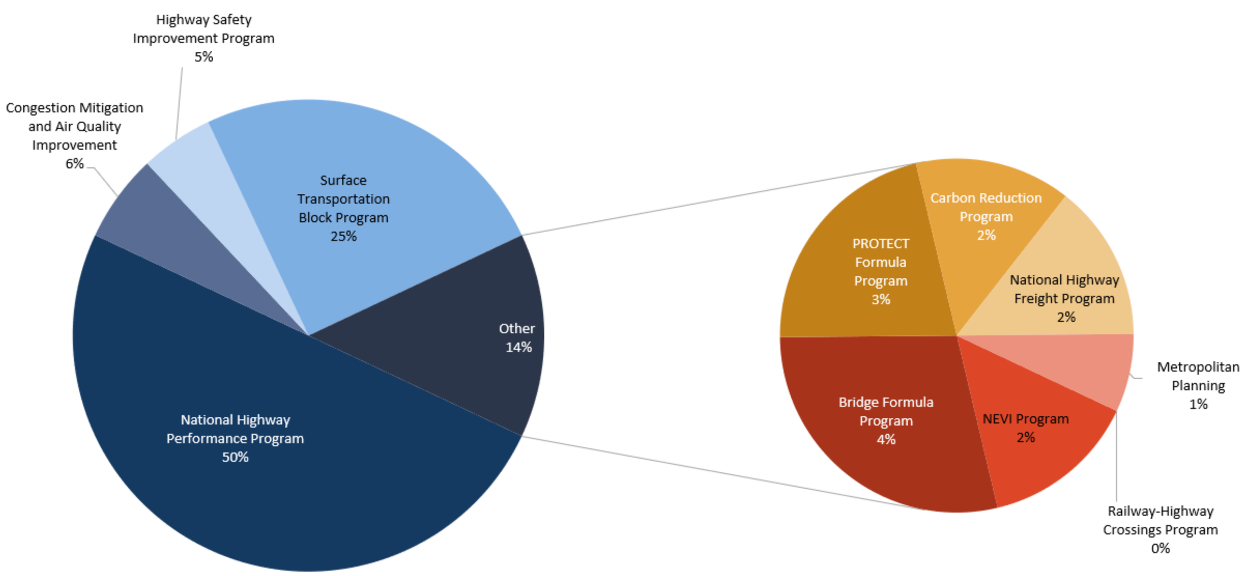


Source: ADOT 2022. Disclaimer: The distribution of funds may change in 2026.

2.1.3 Federal Funding

Federal formula funding is determined based on apportionments to the State of Arizona through federal infrastructure bills with the current Infrastructure Investment and Jobs Act (IIJA) / Bipartisan Infrastructure Law (BIL) identifying funds from 2022 through 2026. The IIJA/BIL funding replaced the FAST Act 2016-2020 which was extended until 2022 through continuing resolution. Primary federal funding sources include the federal excise tax on fuels as well as transfers from the general fund. Under the Fast Act, apportionments to Arizona ranged between $700 million and $800 million per year, which under IIJA/BIL increased to an anticipated average of $1 billion per year. Federal funding through the Federal Aid Highway Program falls into several core programs, including: the National Highway Performance Program (NHPP), Surface Transportation Block Grant Program (STBGP), Highway Safety Improvement Program (HSIP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ). New programs as part of the IIJA/BIL include the Carbon Reduction Program (CRP), Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation (PROTECT), Bridge Formula Program (BFP), and National Electric Vehicle Infrastructure (NEVI) program. A large portion of the funds go to ADOT; however, a portion of funds is distributed to other agencies. Figure 4 shows the apportionments of funding distributed to Arizona by program for FY 2022.

Figure 4: Federal Highway Trust Fund Allocations to Arizona



Source: United States Federal Highway Administration

It is important to note that the formula funding apportionment amount represents the upper limit of what may be available for Arizona to spend in a given year. Annually, Arizona is provided an obligation limitation that establishes the amount of the federal government's legal commitment to pay or reimburse the State. This obligation limitation can be less than the apportionment amount.

In addition to formula funding, ADOT has access to federal discretionary grant programs including but not limited to Local and Regional Project Assistance, more commonly referenced as the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program, National Infrastructure Project Assistance (MEGA), Bridge Investment Program (BIP), PROTECT grants, and Nationally Significant Multimodal Freight and Highway Projects (INFRA). While discretionary grants can help to fund and complete projects that may otherwise not have adequate funding, the programs are highly competitive and have relatively low success rates. For purposes of the LRTP, no discretionary grant funding is assumed within the revenue scenarios.

2.2 ADOT Stewardship

ADOT Stewardship consists of alternative modes of transportation including public transit, aviation, and rail. The various funding identified in Section 2.1 is limited to expenditures for ADOT infrastructure including highways and roads that are part of the State Highway System. However, ADOT is responsible for distributing certain pass-through funds to aviation, transit, and rail which are used to help expand and improve these transportation systems.

2.2.1 State Aviation Funding

ADOT developed the State Airports System Plan (SASP) that evaluates the 67 public-use airports owned by a political subdivision of the state or Tribal government. The airports are officially recognized providing the opportunity to receive state funding. Privately owned airports do not fall under SASP and cannot qualify for state funding.

Based on SASP criteria, ADOT is responsible for administering and distributing the State Aviation Fund for planning, design, development, land acquisition and the construction and improvement of airport facilities that are publicly owned and operated in Arizona. This fund receives revenue from aviation gasoline taxes, flight property taxes, and the operation of the Grand Canyon Airport. The sources are primarily made up of flight property tax (55%), fuel taxes (22%), and aircraft license and registration fees (14%). The remaining 9% is derived from multiple other sources. The State Aviation Fund also receives deposits from legislative apportionments from the General Fund. Revenue available for the State Aviation Fund is correlated with the state of the economy and future economic projections.

The 2023-2027 five-year program allocates an expected total of $138.75 million in funding to state aviation.

- Airports that are identified as significant to national air transportation under the National Plan of Integrated Airport Systems (NPAIS) are eligible for federal funds under the Federal Aviation Administration's Airport Improvement Program (AIP). ADOT then allows NPAIS-recognized Arizona airports that receive an AIP grant to apply for matching funds from the state. This accounts for $37.6 million of the total funding budget.
- ADOT also provides grant funding to projects without FAA support. These grants provide 90% of the project's eligible cost or 95% for General Aviation Basic classifications. Projects must be approved and prioritized based on the State Transportation Board's approved process. This accounts for $51.1 million of the total funding budget.
- The Airport Pavement Management System (APMS) provides airport sponsors with funding support for major pavement maintenance projects. This accounts for $25 million of the total funding budget.
- The Grand Canyon Airport is the only State owned and is funded through the state aviation fund but is then reimbursed 91.06% of the cost from the FAA. Grand Canyon Airport is allocated $18 million in project funding from 2023-2027.
- ADOT's Aeronautic division performs statewide system studies and projects, these studies and projects are allocated $5.05 million from the State Aviation Fund from 2023 to 2027.

2.2.2 Transit Funding

ADOT is responsible for administering five federal pass-through funds for transit: Urbanized Area (Section 5307), Bus and Bus Facilities (5339), Coordinated Mobility (Section 5310), Rural Public Transportation (Section 5311), and Transit Planning for Council of Governments and Metropolitan Planning Organizations (Section 5305). ADOT administers and distributes available funds to transit projects that meet specific program criteria. Table 1 highlights those portions of the programs that involve ADOT. In 2023, $6.2 million was available through the 5310 program, and $15 million was available for 5311.

Table 1: Transit Funding Pass Through

Program	Annual Amount
5307 - Small Urban Areas (50K-200K)	$10.0 million
5339 - Bus and Bus Facilities	$14.5 million
5310 - Coordinated Mobility	$6.2 million
5311 - Rural Public Transportation	$15.0 million
5305 - Transit Planning COG/MPO	$0.7 million
Total	**$44.4 million**

Source: ADOT

2.2.3 Rail Funding

Currently, Arizona state law prevents ADOT from funding freight rail as they are private companies.

The Maricopa County dedicated transportation half-cent sales tax includes a Public Transportation Fund which is administered by Regional Public Transportation Authority known as Valley Metro, supports a variety of regional transit investment, including bus service, ADA paratransit and construction of light rail.

Current local passenger rail is supported by FTA Section 5329 State Safety Oversight funding, which falls under ADOTs administrative responsibility. The funding, which was previously around $300,000 per year, is currently increased to around $1.1 million under BIL, is administering through the state for appliable light rail and streetcar transit in the Phoenix and Tucson metropolitan region. Currently there are no state funds allotted to support intercity passenger or commuter rail lines. Federal grants and funding will be sought out to help potentially complete potential future publicly owned rail projects.

2.3 Complementary Transportation Systems

The Complementary Transportation Systems include municipal, county, federal, and tribal, and private roadways throughout the state. In addition to local and regional funding sources for these systems, there are additional state funds from the HURF which provides funding for some of these transportation systems. Nearly half of HURF goes to investment into Complementary Transportation Systems, these percentages are set by legislature.

- Local municipalities receive 27.5% of HURF revenue, based on population
- Cities over 300,000, which currently includes Phoenix, Tucson and Mesa, receive 3%

- Arizona's 15 counties receive 19% of HURF revenue, based on fuel tax generation from each county as well as the population

3 Risks and Opportunities

The LRTP is a 25-year planning document, as such, the LRTP needs to consider potential changes that would greatly affect transportation over the long term. This section highlights potential changes to transportation funding sources that would pose risks or opportunity to the total available funds for transportation in the future and were considered when developing revenue forecasts.

3.1 Risks

The HURF is the largest source of transportation funding for the state. Funding is based primarily on vehicle related revenues such as license and registration fees, motor carrier taxes, and state taxes on fuel, which accounts for the largest portion of revenues. Electric Vehicles, while still a small percentage of vehicles, continue to grow as a portion of total vehicle fleet. Should EV adoption grow to a substantial portion of the fleet, with HURF revenue sources remaining the same, there will be a reduction to fuel tax revenue collections and HURF. This emphasizes the long term need to adjust the current composition of HURF in order to address the compounding constraints EV could have on revenue. Despite the potential decrease in funding, highway traffic will continue to grow with similar levels of ongoing funding required for maintenance.

The current RARF distribution ends when the Maricopa County Excise tax expires December 31,2025, however it is anticipated voters will have an opportunity to consider an extension of the sales tax before then. It is important to note the measure is not guaranteed to pass and there is a risk that a large source of funding will become unavailable for Arizona's most populous region. If the tax is extended, it is possible a higher proportion of the tax could be allocated to investments in public transit or arterials and a lower proportion toward investments in the highway system in Maricopa County.

Prior to the IIJA/BIL passing, Arizona received around $700 million to $800 million annually in Federal Formula funding apportionments. With passage of IIJA/BIL funding increased to around $1 billion per year through 2026. There is a possibility that the next round of Federal Formula Funding will stabilize or even increase funding over the existing $1 billion amount; however, there is also a risk that funding returns to the $700 million to $800 million range, a notable decrease in funding for ADOT.

3.2 Opportunities

While there are many funding risks, there are also potential changes that could positively impact roadway funding. While there is a major risk to HURF's largest revenue source (the fuel tax), there are also opportunities to provide new revenue sources of funding for HURF. This is exemplified through the Smart and Safe Arizona tax. On November 3, 2020, Arizona voters approved the Smart and Safe Arizona Act (Proposition 207) that legalized the possession and use of marijuana for adults 21 years or older. The proposition imposes a 16 percent excise tax on recreational marijuana sales. Per ARS 36-2856, revenue is first utilized to implement, impose and enforce the act and administer the fund, with the remainder divided as follows: 33% for community colleges, 31.4% for police and fire departments, 25.4% for HURF, 10% to the justice reinvestment fund, and 0.2% to the state attorney general for enforcement. The addition of Smart and Safe Arizona revenue added $43,167,485 to HURF in FY 2022. Other future options could include mileage-based user fees, higher vehicle registration fees for zero-emissions or low-emissions vehicles to offset lower fuel tax revenue, and utility fees for vehicle charging, among other options.

Except for the Great Recession of 2008, Arizona's economy, as measured by gross state product, consistently increased over the past 20 years. Revenue generation from HURF and the Maricopa County Excise Tax are generally correlated with overall State economic activity. With positive outlook for both population and economic growth in the near to mid-term, potential revenue generation should follow similar growth patterns.

In contrast to a possibility for lower percentages to come from the half-cent sales tax for highways, with more going to arterials and public transit, there is also the possibility of increased amount going to freeways from the tax, with less going to arterials and public transit. This would greatly provide funding opportunities for freeways in Maricopa County. However, no decision has yet to be finalized on what the percentages will look like.

Passage of IIJA/BIL increased Federal Formula fund allocations to Arizona, and while funding could return to prior lower levels under the FAST Act, funding could also increase above current levels with passage of the next federal transportation bill.

As part of the IIJA/BIL authorization, additional program funding opportunities were enacted. Specifically, the Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation (PROTECT) Grant Program is a formula and discretionary grant program that helps support resilience improvements. This is a new program that was enacted as part of the BIL, which authorized a total of $8.7 billion for this program over the next five years. The program includes $7.3 billion in formula funding that will be distributed to States while $1.4 billion will be available in competitive grants. The IIJA/BIL authorized $250 million in competitive grants for FY22. While not required as part of the planning process, a Resilience Improvement Plan may be developed and incorporated by the recipient state or MPO to increase Federal shares by up to 7%.

The State is also eligible for Federal Emergency Management Agency (FEMA) funding as a State Hazard Mitigation Plan (HMP) was approved by FEMA, which is a condition of receiving certain non-emergency Stafford Act assistance and FEMA mitigation grants. The HMP also enables the State to request an increased Federal share for repetitive loss properties under the Flood Mitigation Assistance Program. These funds can be applied to the State's critical transportation network and assets, which are identified in the HMP.

4 Revenue Forecast

Anticipated revenue is derived from existing state baseline forecasts, where available, with ranges developed for optimistic (high) and pessimistic (low) based on sensitivity tests evaluating future conditions, risks, and opportunities. The forecasts presented in this section reflect total available revenues prior to distributions by ADOT to other agencies. Values are specific to highway and pass-through transit revenue and exclude programs for rail and aviation.

The three forecasts evaluated include:

- **Base Forecast** – For future state funding, assumes ADOT HURF official revenue forecast (September 2022), based on 55 percent confidence interval, and Maricopa County Transportation Excise Tax official revenue forecast (September 2022), based on 50 percent confidence interval plus the assumption of a tax extension. For future federal funds, assumes the current authorization at 2022 levels through the end of the forecast horizon without increases. Revenue growth between 2043-2050 for HURF and RARF are based on ADOT's "Base Forecast" growth rates.
    - **Base Forecast Adjusted** – ADOT's Official Base Forecast of the Maricopa County Transportation Excise Tax is bound to the term of the tax.

- **Alternative Forecast High** –For future state funding, assumes ADOT HURF risk analysis forecast at the 40% confidence interval (September 2022) and Maricopa County Transportation Excise Tax risk analysis forecast at the 40% confidence interval (September 2022). For future federal funds, assumes escalation of IIJA/BIL funds through FY 2026 and a $200 million increase per year with IIJA/BIL replacement funding package in 2027. Revenue growth between FY 2043- FY 2050 for HURF and RARF are based on ADOT's 40% confidence interval annual growth rates.
- **Alternative Forecast Low** – For future state funding, assumes ADOT HURF risk analysis forecast of 60% confidence interval (September 2022) and a termination of Maricopa County Transportation Excise Tax funding in calendar year 2026 with the expiration of the current tax measures (assumption that a replacement measure will not be approved). For future federal funds, assumes the current authorization at 2022 levels through 2026, and a return to lower FAST Act funding levels after expiration of IIJA/BIL. Revenue growth between FY 2043- FY 2050 for HURF is based on ADOT's 60% confidence interval annual growth rates.

The three scenarios are developed for each of the primary revenue sources to derive a total revenue forecast prior to ADOT distributions. Section 5 accounts for ADOT's share and funding available for highway and bridge projects.

4.1 Highway User Revenue Fund

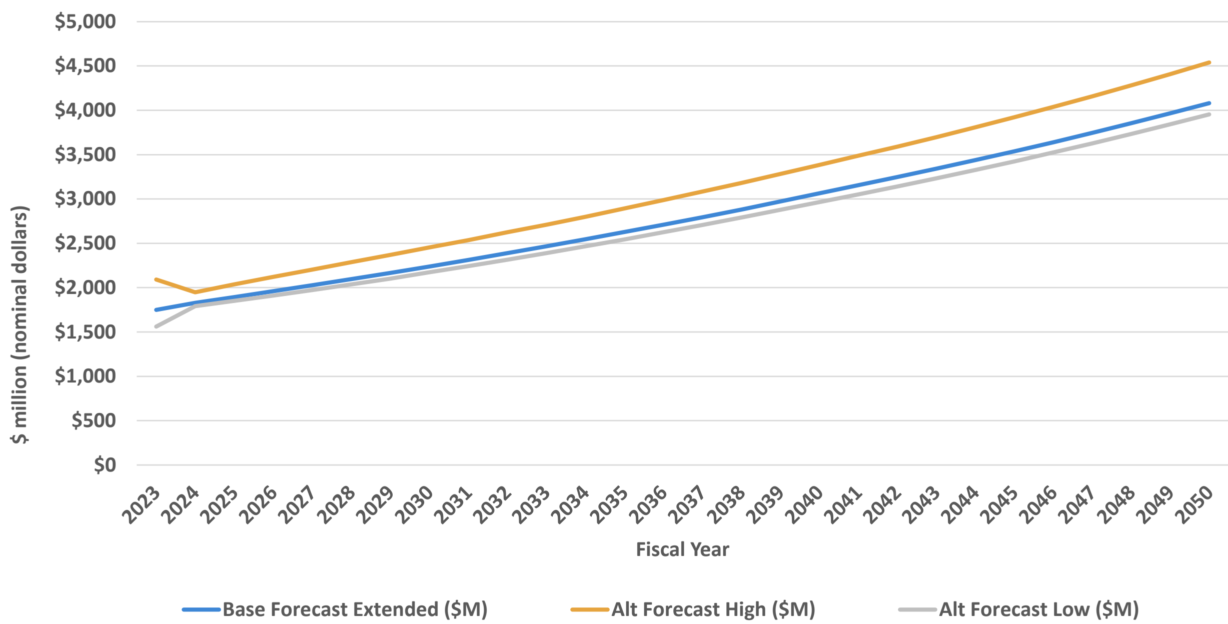
In Fiscal Year 2022, the Highway User Revenue Fund generated $1.73 billion in total revenue for distribution. The base ADOT forecast (September 2022) provides forecast values through FY 2032, with additional values provided by ADOT to extend the forecast through FY 2042, at which point projected revenue will reach $3.2 billion by FY 2042. Applying historical average annual growth of 2.90% to the forecast results in annual revenue of $4.1 billion in 2050.

The Alternative Forecast High is the forecasting model results at the 40 percent confidence interval and in FY 2023 creates a revenue forecast of $2.1 billion. Using the 40% confidence interval Risk Analysis forecast results in annual revenue of $3.6 billion by FY 2042, the last year of the extended HURF forecast. Applying historical growth rates for the 40% confidence interval forecast, annual revenue increases to $4.5 billion by 2050, an 11% increase over the Base forecast.

The Alternative Forecast Low is the forecasting model results at the 60 percent confidence interval resulting and in FY 2023 creates a revenue forecast of $1.6 billion. Using the 60% Risk Analysis Forecast results in annual revenue of $3.1 billion by FY 2042. Applying historical growth rates for the 60% confidence interval forecast, annual revenue increases to $3.95 billion by 2050, a 3% decrease over the Base forecast.

Figure 5: Highway User Revenue Fund Projections

Source: ADOT and WSP



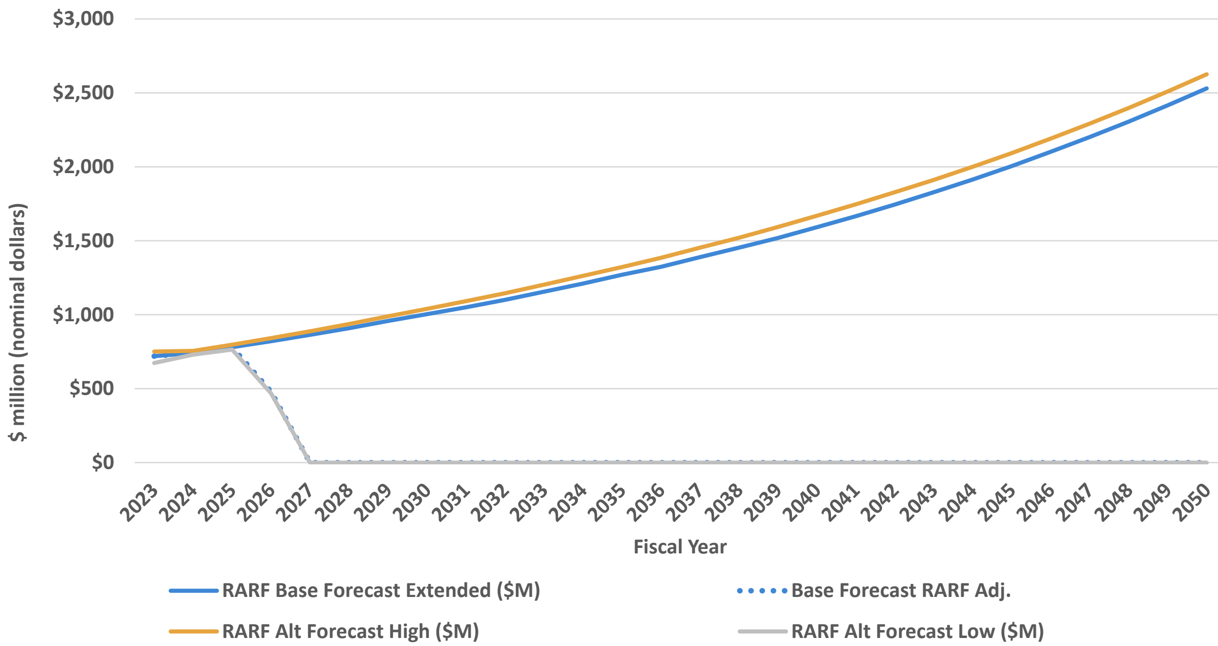
4.2 Maricopa County Half-Cent Sales Tax

In Fiscal Year 2022, the Maricopa County half-cent sales tax generated $665 million in total revenue measured in nominal dollars. The base ADOT forecast as of September 2022 projects revenue will reach $1.7 billion by FY 2042. Applying historical average annual growth of 4.76% to the forecast out to FY 2050 results in annual revenue of $2.5 billion in FY 2050.

The Alternative Forecast High is the forecasting model results at the 40 percent confidence interval and in FY 2023 creates a revenue forecast of $751 million. Using the 40% confidence interval Risk Analysis Forecast results in annual revenue of $1.8 billion by FY 2042. Applying historic growth rates for the 40% confidence interval forecast annual revenue increases to $2.6 billion by 2050, a 4% increase over the Base forecast.

The Alternative Forecast Low assumes the half-cent sales tax is not renewed beyond calendar year 2025. The values from FY 2023- FY 2026 are based on the 60% confidence interval Risk Analysis Forecast which increases from $674 million in FY 2023 to $765 million in FY 2025. For FY 2026 half of the Base forecast annual revenue was used to approximate the calendar to fiscal year adjustment with annual revenue of $401 million.

Figure 6: Maricopa County Half-Cent Sales Tax



Source: ADOT and WSP

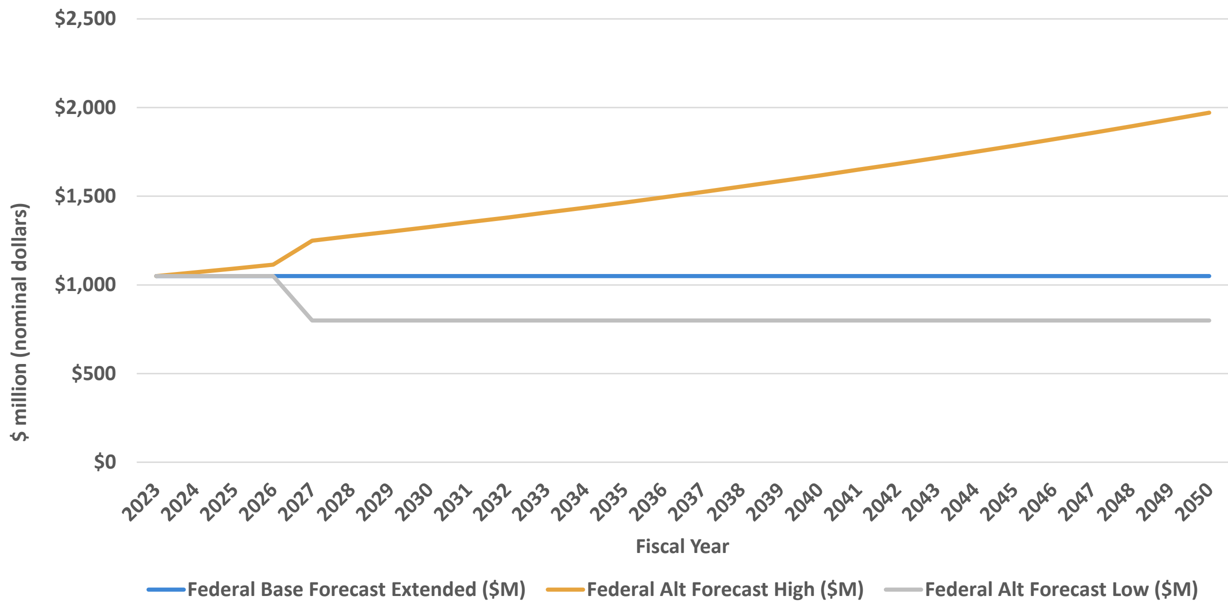
4.3 Federal Aid Highway Program

The new IIJA/BIL and associated programs have resulted in a notable increase in funding ($1.05 billion in 2022). The Base Forecast assumes constant federal funding at 2022 levels throughout the forecast horizon.

The Alternative Forecast High assumes that the existing IIJA/BIL annual increases in program funding of approximately 2% per year through FY 2026 will be available through programs allocated to ADOT. After 2026 a replacement bill will be passed with approximately $200 million in additional revenue allocated to Arizona for a total of $1.25 billion starting in FFY 2027. The adjusted higher amount is approximately 19% above the Base forecast. Starting in FFY 2027 federal funding is anticipated to continue to grow at 2% per year throughout the remaining forecast horizon, reaching $2.0 billion by 2050.

The Alternative Forecast Low assumes that a replacement bill will be passed returning to funding levels more closely aligned with the prior FAST Act and removal of programs introduced through IIJA/BIL. The total annual allocation to Arizona would reduce to $800 million in 2027 throughout the forecast horizon which is 24% below the Base forecast.

Figure 7: Federal Aid Highway Program Projections



Source: ADOT and WSP

5 Transportation Funding Forecast

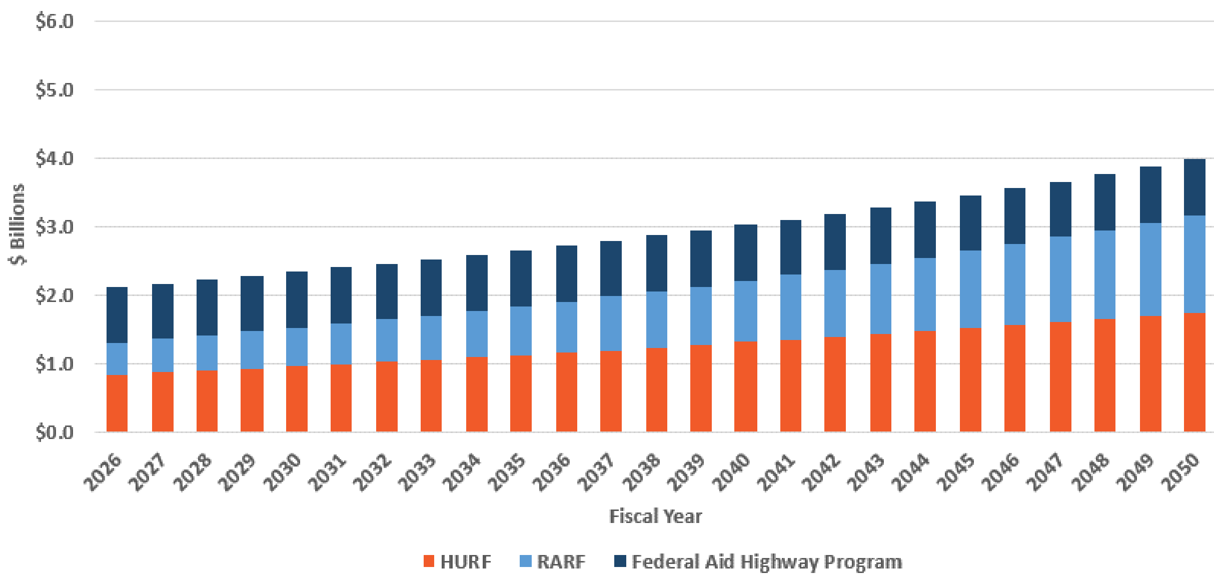
The forecasts developed in the prior chapter are adjusted by the distribution formulas to derive projected revenue available for ADOT projects and routine maintenance requirements as identified in the LRTP. The forecasts account for distributions to other agencies, allocations to MAG and PAG, Public Transportation Funds, Debt Service, and other costs. For each forecast, the total annual funding available to ADOT are projected from FY 2026 to FY 2050 corresponding to the 25-year analysis period in the LRTP.

5.1 Base Forecast

The Base forecast results in total revenue over the 25-year forecast horizon of $73.3 billion, consisting of $20.4 billion in federal funds, $21.5 billion in Maricopa County Transportation Excise Tax and $31.4 billion in HURF. The Maricopa County Transportation Excise Tax allocation assumes a fixed 56.2% to ADOT over the forecast horizon based on current percentages and does not account for any reductions that may occur with passage of a replacement funding measure. Total annual revenue increases from $2.1 billion in FY 2026 to $4.0 billion in FY 2050, an 88% increase or compound annual growth rate of 2.67%.

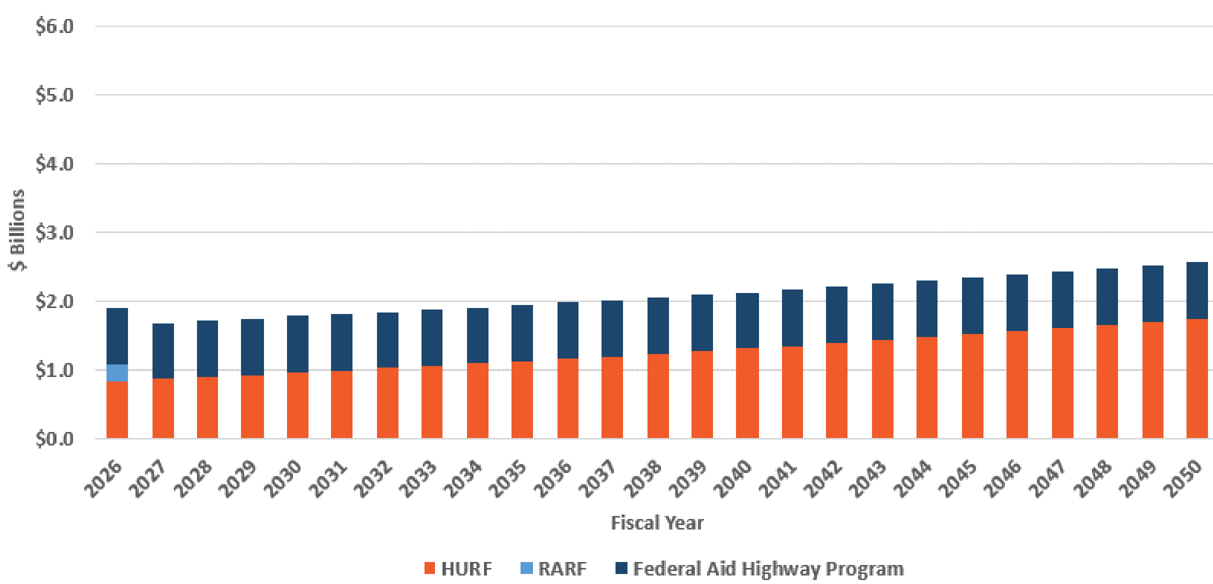
When adjusting the revenue to remove projected Maricopa County Transportation Excise Tax funding, the total revenue over the 25-year horizon decreases to $52.1 billion, with just $269 million in RARF funding through revenues in the first seven months of FY 2026. Total annual revenue forecast increases from $1.9 billion in FY 2026 to $2.6 billion in FY 2050, a 33% increase or compound annual growth rate of 1.2%.

Figure 8: Base Forecast Annual Revenue Projections



Source: WSP

Figure 9: Base Forecast Annual Revenue Projections with Maricopa County Transportation Excise Tax Adjustment

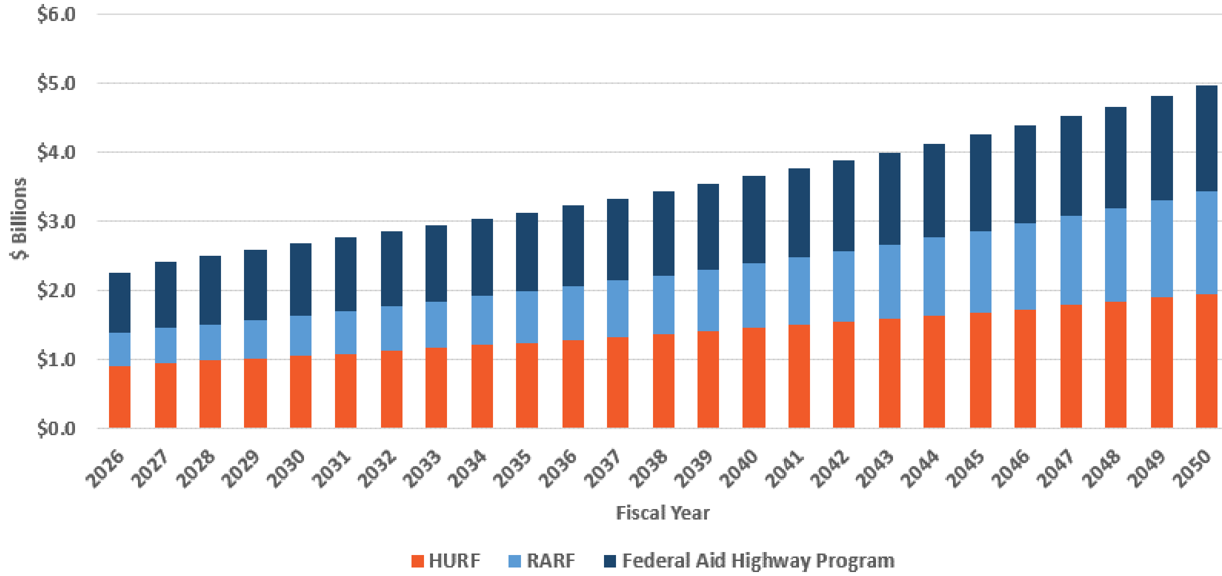


Source: WSP

5.2 Alternative Forecast High

The Alternative Forecast High results in total revenue over the 25-year forecast horizon of $87.5 billion, consisting of $30.5 billion in federal funds, $22.4 billion in Maricopa County Transportation Excise Tax and $34.6 billion in HURF. The RARF allocation assumes a fixed 56.2% to ADOT over the forecast horizon based on current percentages and does not account for any reductions that may occur with passage of a replacement funding measure. Total annual revenue increases from $2.2 billion in FY 2026 to $5.0 billion in FY2050, a 120% increase or compound annual growth rate of 3.35%.

Figure 10: Alternative Forecast High Annual Revenue Projections

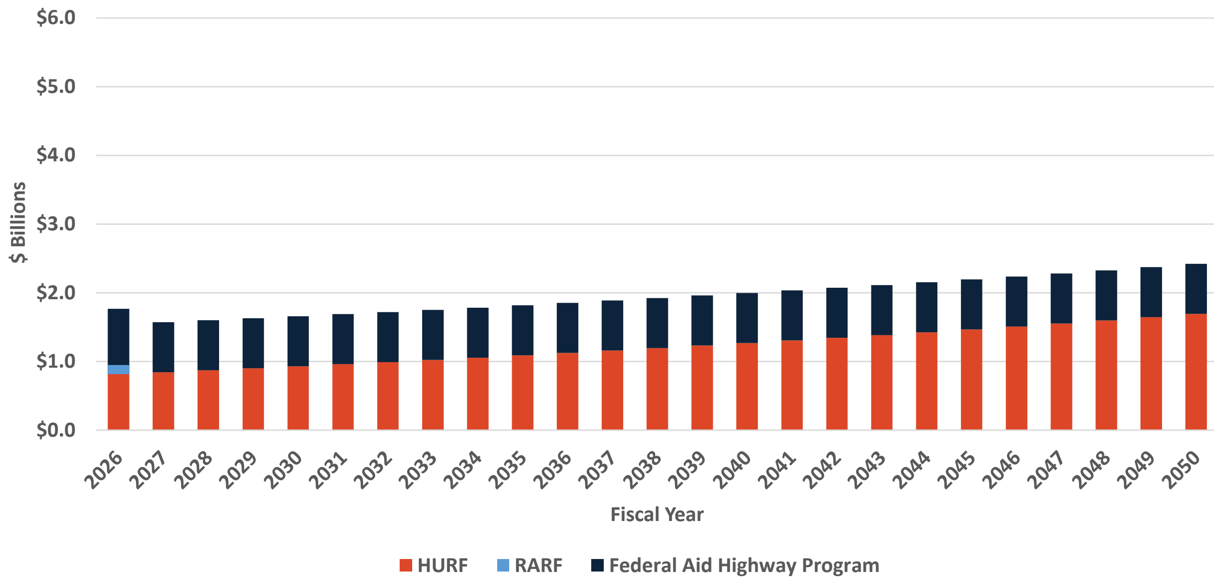


Source: WSP

5.3 Alternative Forecast Low

The Alternative Forecast Low results in total revenue over the 25-year forecast horizon of $48.8 billion, consisting of $18.3 billion in federal funds, $132 million in Maricopa County Transportation Excise Tax, representing 7 months of revenue, and $30.4 billion in HURF. Total annual revenue increases from $1.8 billion in 2026 to $2.4 billion in 2050, a 37% increase or compound annual growth rate of 1.32%.

Figure 11: Alternative Forecast Low Revenue Projections



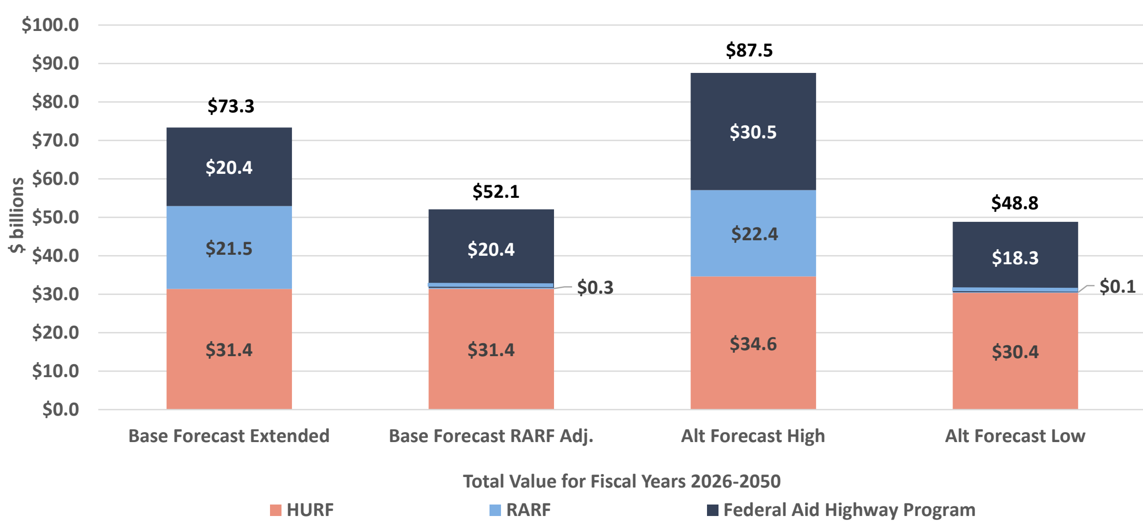
Source: WSP

5.4 Total Revenue Projections

Total projected revenues over the 25-year forecast horizon for the three scenarios range from $52.0 billion in the Alternative Forecast Low to $87.5 billion in the Alternative Forecast High.

Revenue projections do not account for the impact of cost escalation which will diminish the purchasing power of the revenues available. Assuming 3.6% average annual cost escalation, based on historical growth in the Phoenix-Mesa-Scottsdale metropolitan region between 2001 and 2022, the Alternative Forecast High would increase at a slightly lower rate of 3.15% while the Base Forecast and Alternative Forecast Low would result in more significant reductions in purchasing power over the forecast horizon with average growth rates of 2.3% and 1.1% respectively.

Figure 12: Total Available Funding (Fiscal Year 2026-2050)



Source: WSP and ADOT