History suggests Prop. 104 won't keep promises

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History is replete with examples of grand transportation projects that were marketed to taxpayers and miserably underperformed expectations.

ArizonaRepublic reporter Brenna Goth recently outlined Phoenix's unmet promises from the Transit 2020 campaign from 2000 ("Promises kept?" July 13). In almost every area, projects fell well short of promises. Most notably, the city built roughly half of the planned light rail miles.

Despite their track record, city leaders are making similar mistakes with Proposition 104.

Prop 104 calls for not only an extension of the current 0.4 percent transportation sales tax to 2050 (due to sunset in 2020) but an additional 75 percent increase to the rate. The Aug. 25 election date cynically ensures the lowest voter turnout possible for what the city estimates is a $31 billion proposal.

The Arizona Tax Research Association's analysis of the transportation plan found that, like Transit 2020, Transit 2050 will not meet stated goals.

For Transit 2020, a 20-year plan funded primarily through the 0.4 percent sales tax, the total projected revenue from tax revenues, federal and county funds and fares was $4.9 billion. Actual revenue will be closer to $3.8 billion.

Unbelievably, with Transit 2050 and the addition of another 0.3 percent sales tax over the next 35 years, the city estimates total combined revenues to skyrocket to $31.5 billion.

For Transit 2020, the city estimated an annual sales tax growth rate of 4.75 percent and collected less than half that at 2 percent. Inexplicably, the city estimates the same 4.75 percent growth rate over the next 35 years.

For Transit 2020, the annual collection from the sales tax will have increased 40 percent in 20 years. To meet the revenue estimates for Transit 2050, annual sales tax collections will have to increase 365 percent from 2016 to 2050.

The city correctly points to the Great Recession as a key factor in sales tax receipts falling well below estimates for Transit 2020. However, fresh off that experience, one might expect the city's 35-year Transit 2050 proposal to plan for at least one major recession. It doesn't.

The motive behind the exaggerated revenue estimates could be a desire to show more progress with the staggeringly expensive and lightly used light rail system.

Most of the advocacy for Prop 104 focuses on new capital projects. The reality is that the 0.7 percent sales tax is first designed to pay for maintaining and operating existing transit programs. Further, when sales tax receipts fall below expectations, new projects must be cut first, which decreases access to federal funding.

Phoenix's placement of transit at the top of the priority list for a major tax increase at this time is surprising. The city's budget struggles in recent years are well chronicled and there is little light at

the end of the tunnel. The spiraling costs of public pension liabilities are putting major pressure on the city's ability to maintain current public services.

Given the choice, it's doubtful that expanded light rail tops the priority list for a tax increase with Phoenix taxpayers. However, left with the highest sales tax rate among major Maricopa County cities, Phoenix will have all but eliminated any chance to address future budget deficits through a sales tax increase.

Kevin McCarthy is president of the Arizona Tax Research Association.