

**Scott E. Bennett, P.E.**

**Director**



**Senate State Agencies & Governmental Affairs  
Constitutional Issues Subcommittee**

**Monday, February 5, 2018**

# Estimated Average Annual Construction Funds Fiscal Years 2016-2020

Net Federal Funds (Est. Average Annual Revenue from FAST Act)..... \$ 535 million

State Highway Funds (Est. Avg. Annual Revenue 2016-2020)..... \$ 455 million

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**Total Federal and State Highway Funds..... \$ 990 million**

**Less Federal Funds for:**

Fixed Budgeted Expenditures (Maintenance, Administration and Operations) ..... \$30 million

**Non-Construction Programs**

Statewide Planning & Research ..... \$11 million

Metropolitan Planning ..... \$2 million

Surface Transportation Set Aside - Transportation Alternatives Program ..... \$10 million

Surface Transportation Set Aside - Recreational Trails Program ..... \$2 million

Right-of-Way, Utilities ..... \$25 million

Obligation Limitation ..... \$25 million

**Total Reduction - Federal Funds (\$ 105) million**

**Less State Funds for:**

Fixed Budgeted Expenditures (Maintenance, Administration and Operations) ..... \$318.0 million

State Match for Non-Construction Programs (State Planning & Research) ..... \$3.0 million

**Total Reduction - State Funds (\$ 321) million**

**Less Federal and State Funds for IRP Commitment:**

Federal Interstate Maintenance Funds ..... \$58.0 million

4¢ Diesel Fuel Tax ..... \$17.0 million

Federal and State Funds to Supplement IRP ..... \$42.0 million

**Total Reduction - Federal and State Funds for IRP Commitment (\$ 117) million**

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**Total Federal and State Funds Available for Highway Construction..... \$ 447 million**



**\$ 447,000,000**

# Federal vs. State Funding

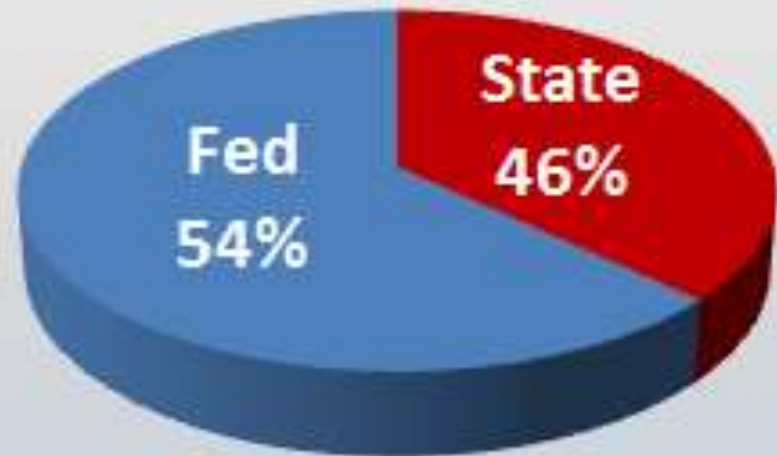
**1993**

**Hwy. Funding Breakdown**



**2016**

**Hwy. Funding Breakdown**





# Federal Highway Funding Issues

- Continuing Resolutions and a Government Shutdown
- Current Funding Ends February 8<sup>th</sup>
- Current Impacts
- Potential Future Impacts
- 40% Reduction



# Federal Highway Funding Issues

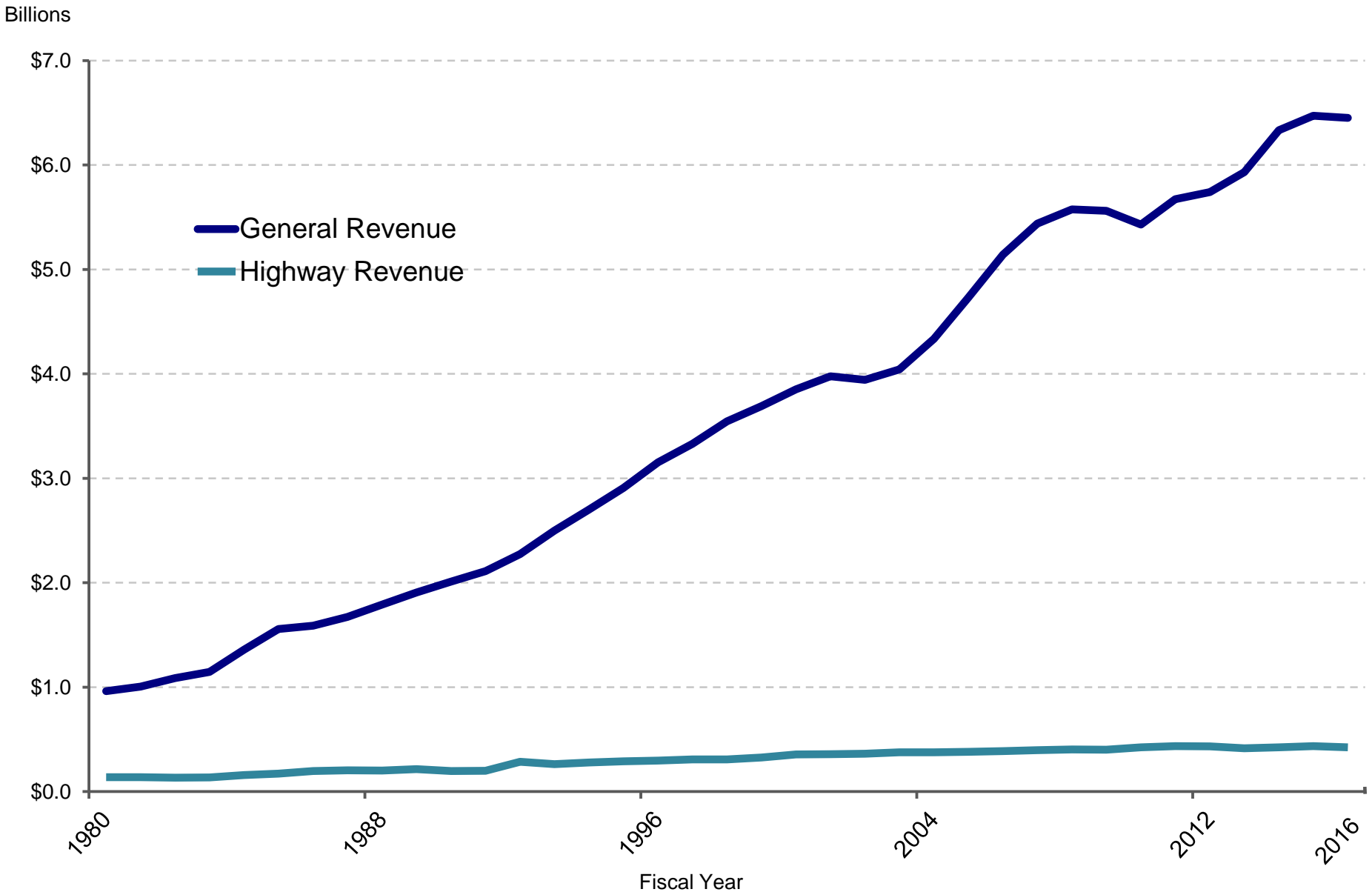
Proposed Outline of Trump Infrastructure Package Leaked

Contents Similar to Past Discussions

**Major Emphasis on Encouraging  
State, Local, and Private Investment**

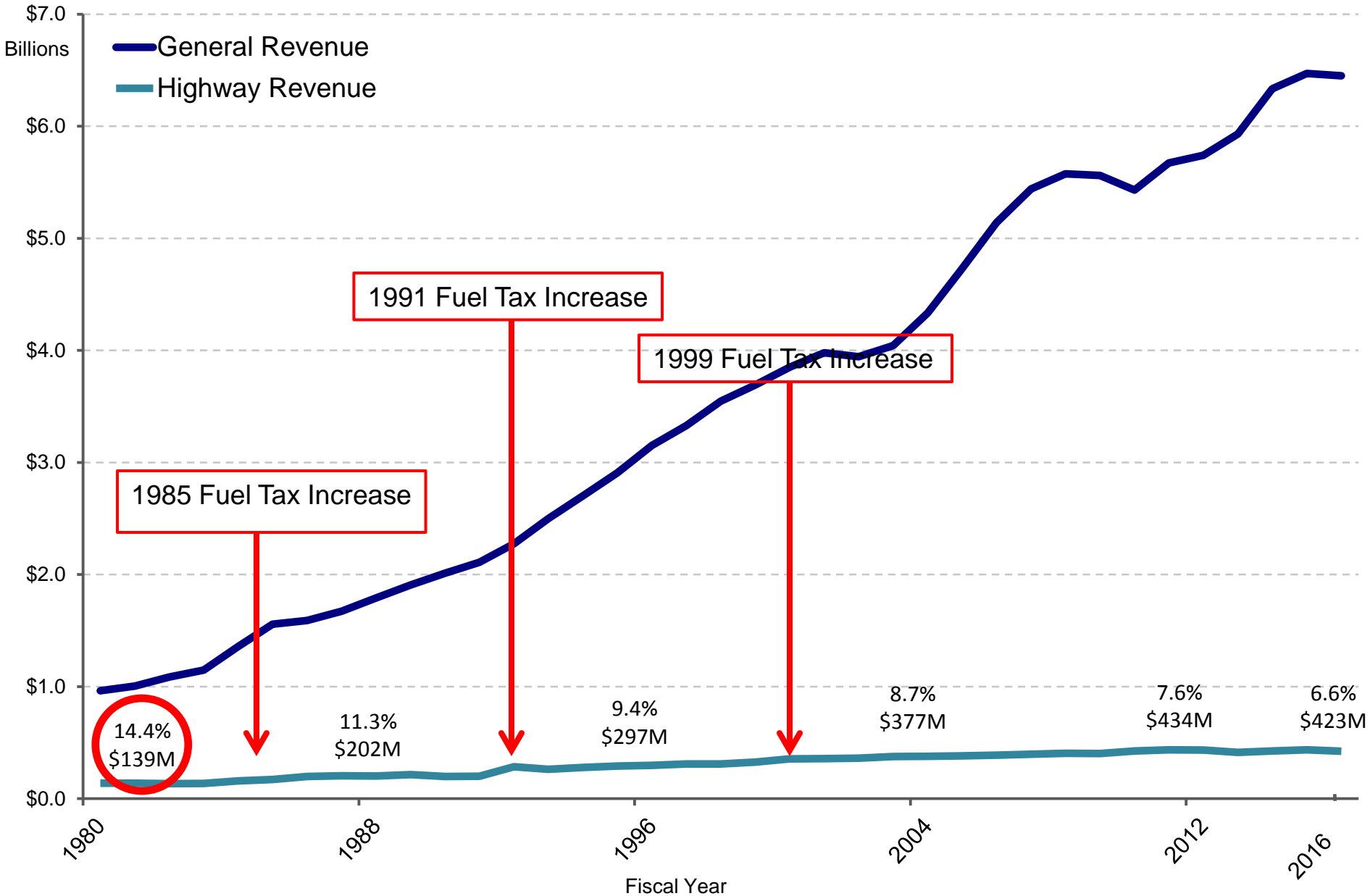


# State Highway vs. General Revenue



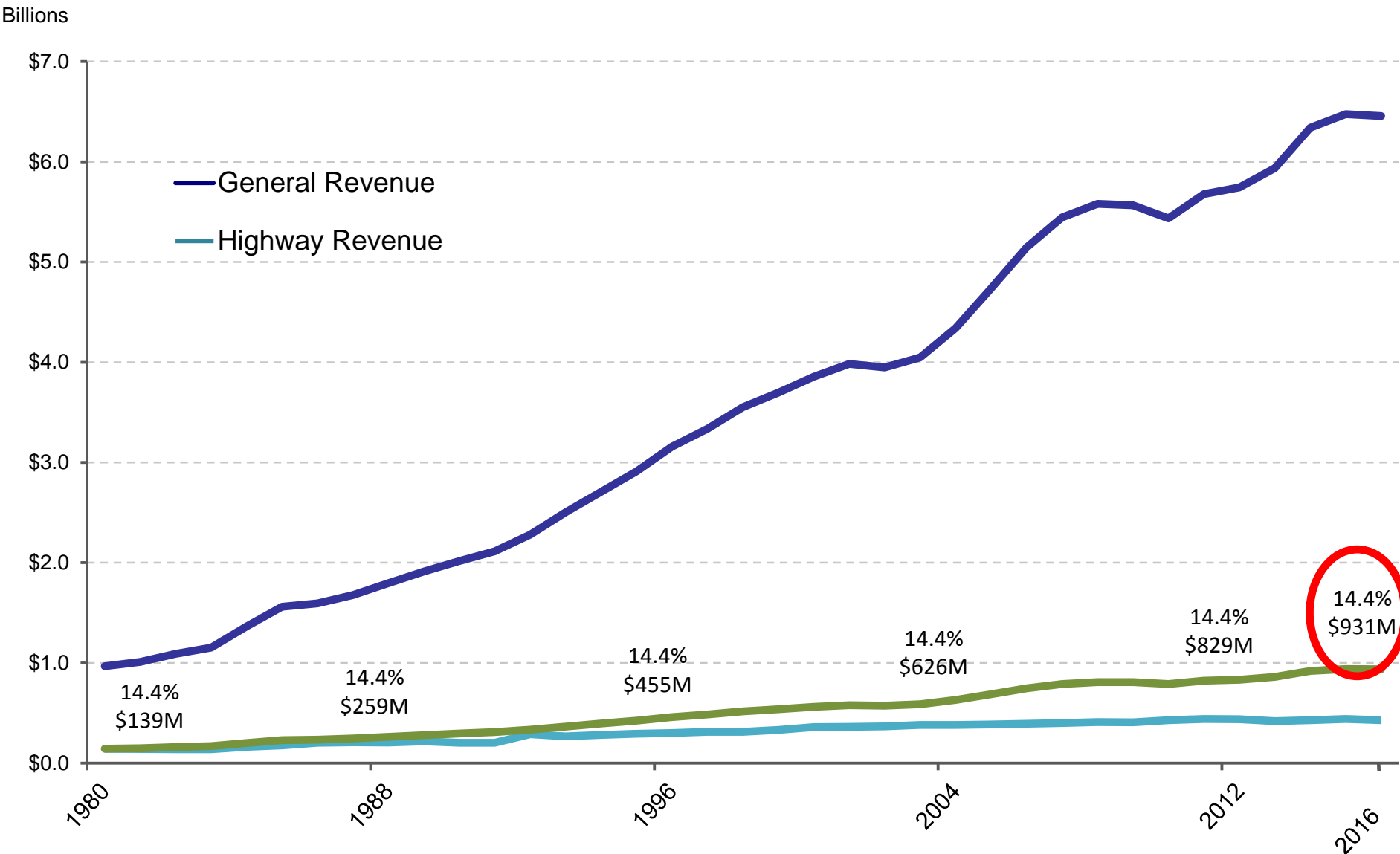
Excludes County & City Aid funds | Excludes CAP funds

# Percent of Highway vs. General Revenue



Excludes County & City Aid funds | Excludes CAP funds

# Highway Revenue at 14.4% of General Revenue

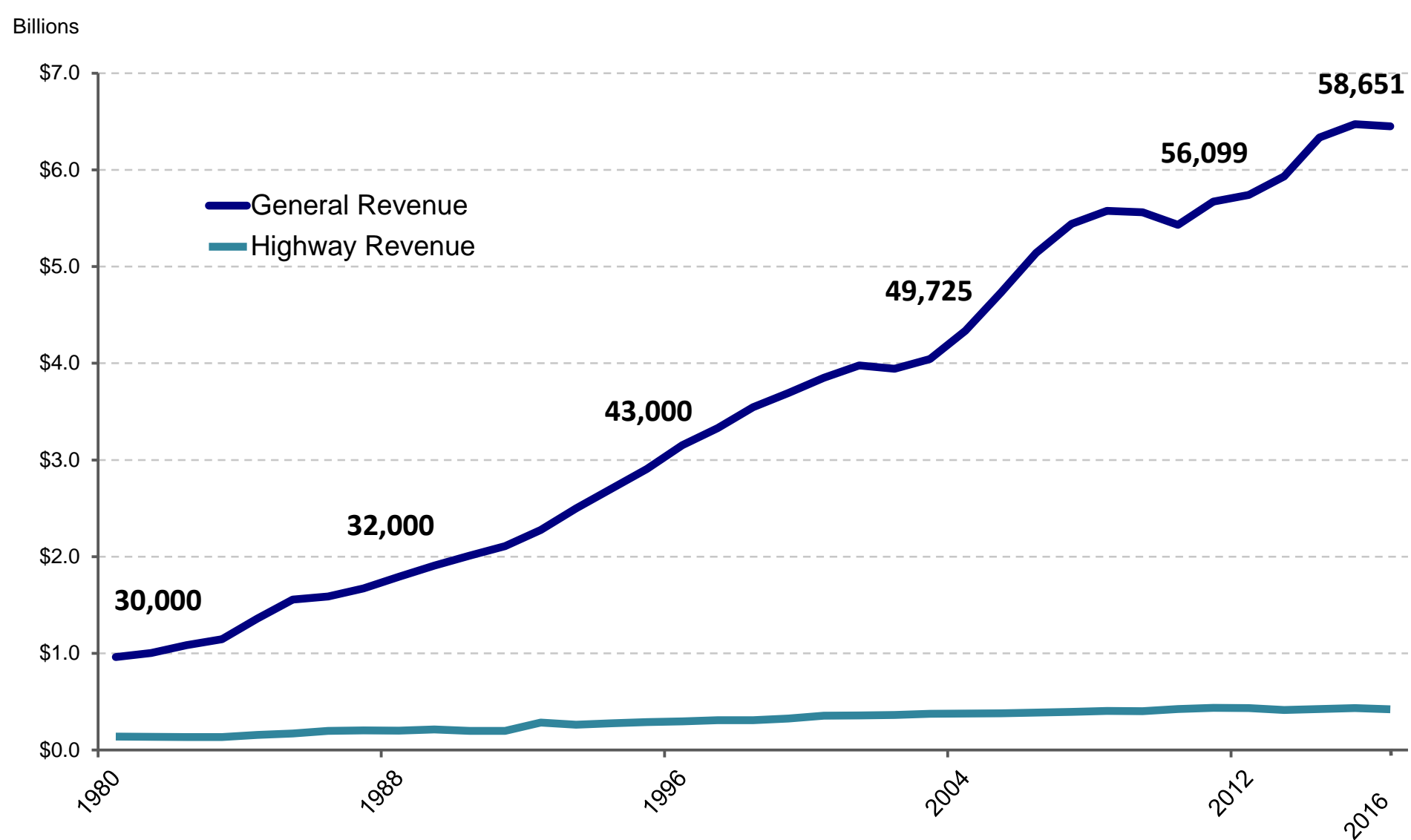


Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year



# Highway vs. General Revenue Compared to Employment Levels

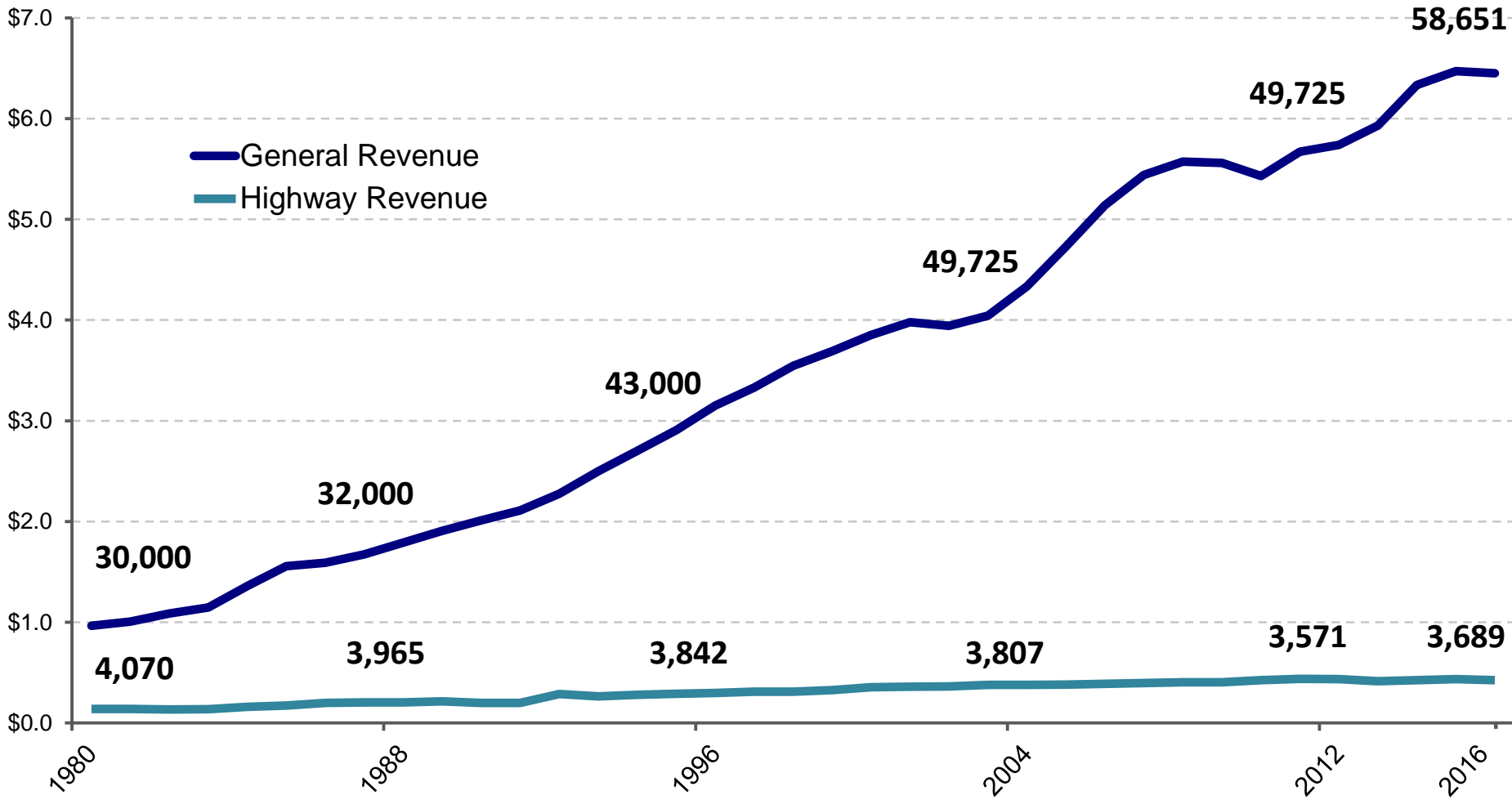


Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

# Highway vs. General Revenue Compared to Employment Levels

Billions



Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

# Where We've Been

ARKANSAS  
HIGHWAY NEEDS AND FINANCES  
1979 to 1989

FOR  
STATE HIGHWAYS, C  
AND CITY ST

A REPORT TO:  
THE ARKANSAS HIGHWAY NEEDS ST  
ARKANSAS LEGISLATIVE COUNCIL

SEPTEMBER, 1978

BY:  
R. J. HANSEN ASSOCIATES, INC.,  
6110 Executive Boulevard  
Rockville, Maryland 20852



**Blue Ribbon**  
Committee  
on Highway Finance  
**BlueRibbonHighway**

**FINAL REPORT**

**December 1, 2010**

**GOVERNOR'S  
WORKING GROUP  
ON  
HIGHWAY FUNDING**  
Short-Term Recommendation



**December 15, 2015**

Presented to:  
The Honorable Asa Hutchinson, Governor

## 1979 Study by RJ Hansen and Associates

*“Recent national studies have shown that the nation’s highways are deteriorating faster than they are being improved. **This is not the fault of the nation’s highway departments. It is the fault of too little funding.**”*



## 1979 Study by RJ Hansen and Associates

*“In funding highway needs, legislators are faced with the problem of assessing their relative impact in a climate of general opposition to increased taxes which provide the sources of funds. **As a result, it is not uncommon to find highway needs studies resulting in little or no legislative action.**”*





# Where We've Been

1985 – Rural Road Program  
'Getting Arkansas Out of the Mud'

1991 – Highway Improvement Program



Rebuilding Arkansas  
Interstates



## 1979 Study by RJ Hansen and Associates

*“In all cases it should be recognized that bond financing constitutes a **borrowing on future revenue and is not a new source of revenue...***

*If a program of bond financing is adopted by the state, provision must still be made to **obtain additional revenues** to provide for all of the needs and requirements, including the repayment of the bonds.”*



# Bond Financing Costs

## Bond Financing Pros

- Funds immediately available

## Bond Financing Cons

- Interest costs erode your buying power

	<u>Total Spent</u>	<u>Principal</u>	<u>Interest</u>
<b>IRP</b>	\$ 762.5 million	\$ 575.0 million	\$ 187.5 million
	Interest as a percentage of total cost		<b>24.60%</b>
	<u>Total Spent</u>	<u>Principal</u>	<u>Interest</u>
<b>CAP</b>	\$ 620.2 million	\$ 468.9 million	\$ 151.3 million
	Interest as a percentage of total cost		<b>24.39%</b>

## 1979 Study by RJ Hansen and Associates

*“...the figures [for highway needs] often total to amounts that are considerably in excess of current legislative provisions. This often has resulted in **legislators apparently doubting the realism** of the figures and therefore, taking little or no action to provide the required funding. So the needs continue to exist and grow until the next needs study.”*



# Arkansas State Legislative Audit

- May 16, 2017 – Arkansas Legislative Audit - Review of Highway Funding
- Purpose:
  - ✓ To review and verify ARDOT information, estimates and calculations related to highway funding
- Report Objectives:
  - ✓ History of funding sources
  - ✓ History of construction and maintenance costs
  - ✓ State match needed for Federal funds
  - ✓ Additional State revenue to meet system preservation needs
- August 31, 2017 – Report Released





# Arkansas State Highway Needs

## Exhibit III

### Arkansas Department of Transportation (ARDOT) Summary of Annual State Funds Needed to Meet Proposed Highway Construction Plan Over a 10-Year Period

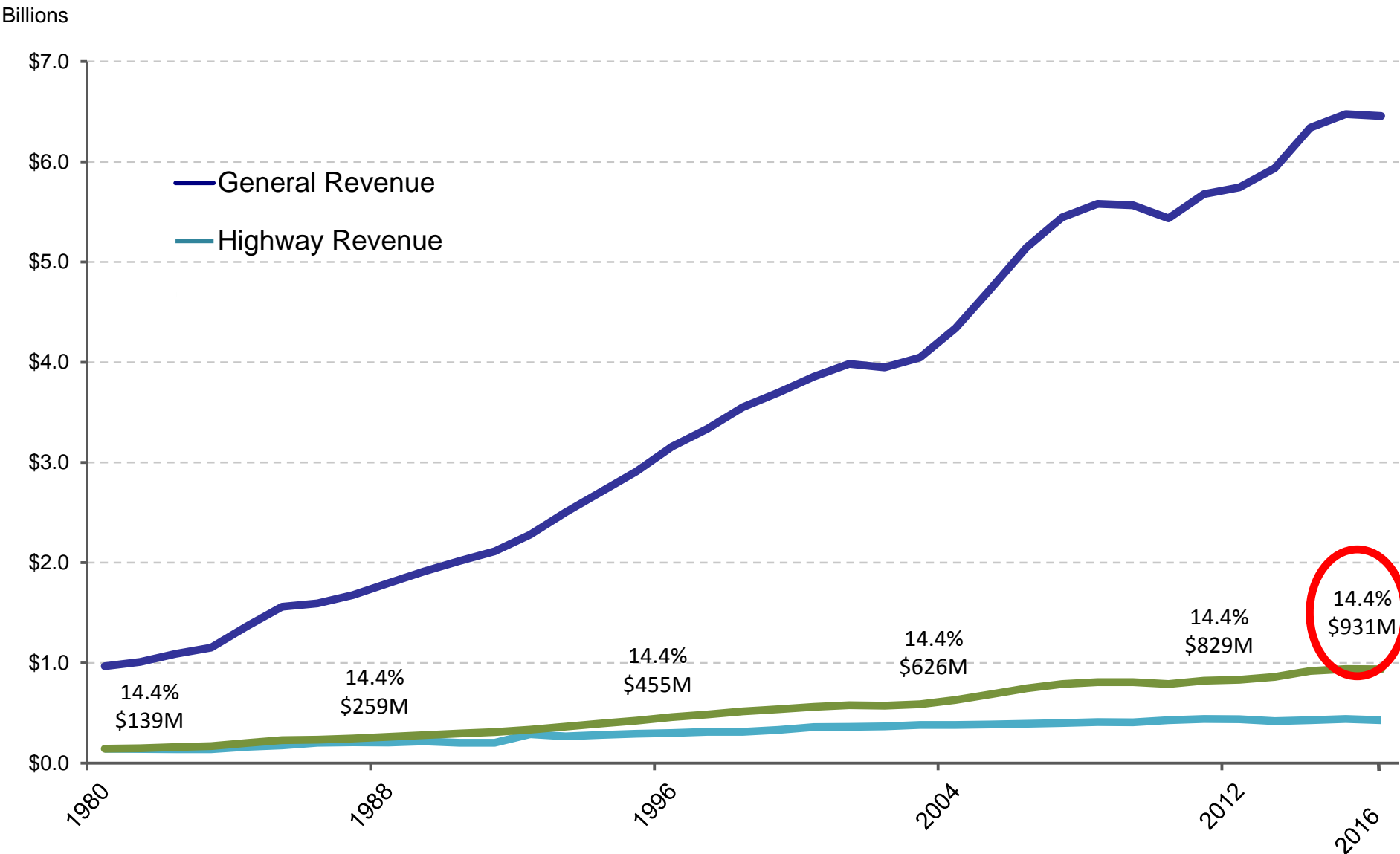
Description	Additional Annual Revenues	Additional Annual Expenditures	Additional Annual Net
System Preservation			
Pavement			
Bridges			
Total System Preservation			
Capacity Relief			1,000,000
Safety Improvements			12,000,000
Maintenance			
Equipment upgrades	19,000,000	19,000,000	
Facilities upgrades	8,000,000		8,000,000
Intelligent Transportation System (ITS)	3,000,000		3,000,000
Total Maintenance	30,000,000	19,000,000	11,000,000
<b>Totals</b>	<b>\$ 925,000,000</b>	<b>\$ 447,000,000</b>	<b>\$ 478,000,000</b>

**\$ 447,000,000**

Note: Amounts shown are rounded.

ALA staff reviewed projected revenues and expenditures for fiscal years 2017 through 2020 ...for consistency and reasonableness when compared with prior years.

# Highway Revenue at 14.4% of General Revenue



Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

# Arkansas State Highway Needs

## Exhibit III

### Arkansas Department of Transportation (ARDOT) Summary of Annual State Funds Needed to Meet Proposed Highway Construction Plan Over a 10-Year Period

**\$ 925,000,000**

	Annual Funds Needed for	Annual Funds Available for Highway Construction	Additional Annual State Revenues Needed for Highway Construction Plan
	137,000,000	137,000,000	\$ 250,000,000
	90,000,000	90,000,000	27,000,000
	227,000,000	227,000,000	277,000,000
	157,000,000	157,000,000	148,000,000
	44,000,000	44,000,000	42,000,000
	19,000,000	19,000,000	
Equipment upgrades	19,000,000	19,000,000	
Facilities upgrades	8,000,000		8,000,000
Intelligent Transportation System (ITS)	3,000,000		3,000,000
Total Maintenance	30,000,000	19,000,000	11,000,000
<b>Totals</b>	<b>\$ 925,000,000</b>	<b>\$ 447,000,000</b>	<b>\$ 478,000,000</b>

Note: Amounts shown are rounded.

# Arkansas State Highway Needs

## Exhibit III

### Arkansas Department of Transportation (ARDOT) Summary of Annual State Funds Needed to Meet Proposed Highway Construction Plan Over a 10-Year Period

Description			Additional Annual Revenues
System Preservation			
Pavement			
Bridges			
Total System Preservation			
Capacity Relief			2,000,000
Safety Improvements			12,000,000
Maintenance			
Equipment upgrades	19,000,000	19,000,000	
Facilities upgrades	8,000,000		8,000,000
Intelligent Transportation System (ITS)	3,000,000		3,000,000
Total Maintenance	30,000,000	19,000,000	11,000,000
<b>Totals</b>	<b>\$ 925,000,000</b>	<b>\$ 447,000,000</b>	<b>\$ 478,000,000</b>

**\$ 478,000,000**

Note: Amounts shown are rounded.

ALA staff reviewed supporting documentation obtained from ARDOT to verify that costs for the projects were reasonable, based on historical information.



“... 70% of our highway, road and street funding comes from a consumption-based tax, while it is a national goal to reduce consumption. The trend... is simply a losing proposition. We’re moving backwards.”





**Blue Ribbon**  
Committee  
on Highway Finance  
[BlueRibbonHighways.com](http://BlueRibbonHighways.com)

- Reissue GARFIELD Bonds for Interstate Rehabilitation Program **APPROVED**
- State Aid Programs for Cities **APPROVED**
- Temporary One Percent General Sales Tax to Fund a Multi-Year Construction Program **APPROVED**
- Transfer Sales Tax on New and Used Vehicles, Auto Repair Parts and Services, Tires and Batteries

## 1979 Study by RJ Hansen and Associates

*“There are relatively few, if any, acceptable new state-level revenue sources for funding highways, roads, and streets...One of the more significant revenue sources being used by other states for revenue purposes includes a gross receipts or sales tax on new and used motor vehicle sales...”*



## 1979 Study by RJ Hansen and Associates

*One possibility for new revenues is related to the sale of used automobiles and trucks within the state. These sales are presently exempt from the 3 percent gross receipts tax. Removing this exemption and designating these revenues for highway purposes would provide new revenues estimated at \$5-6 million annually.”*



# Road User Related Tax Revenue (SFY 2016)

## Total Road User Revenue

**\$1,076.5 Million**

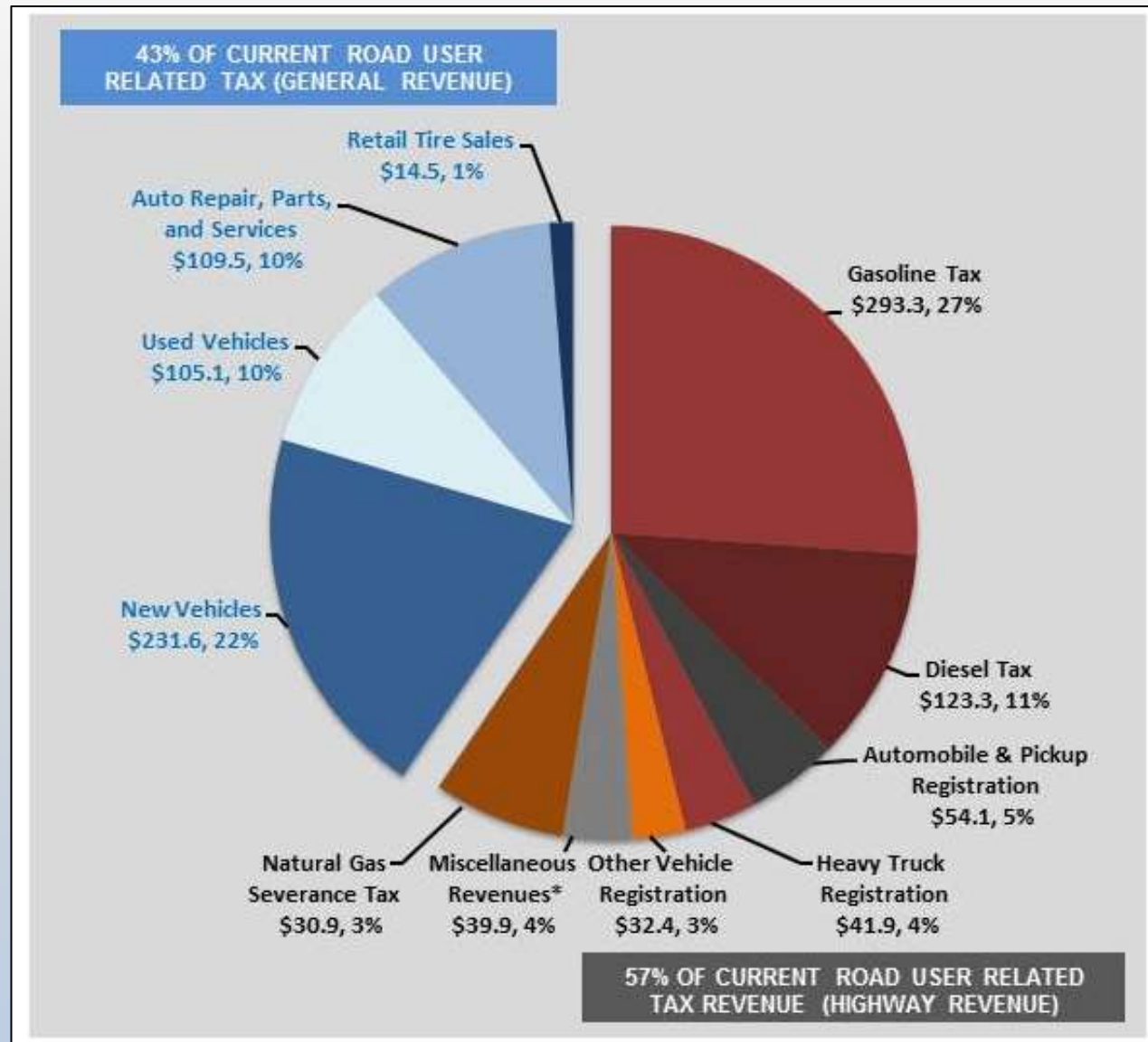
## Distribution:

### General Revenue

**\$460.7 Million (43%)**

### Highway Revenue

**\$615.9 Million (57%)**



## HB 1418 Revenue Transfer

Transferred sales tax on  
new and used vehicles to  
the Highway Department fund phased in  
over 10 years.



**FAILED TO  
GET OUT OF  
THE HOUSE  
COMMITTEE**



## HB 1346 REVENUE TRANSFER

### Transferred sales tax on new and used vehicles

to the Highway Department fund phased in over 10 years AND transferred the natural gas severance tax revenue from the Highway Department fund into a newly created higher education workforce development fund.



**PASSED THE  
HOUSE  
COMMITTEE**

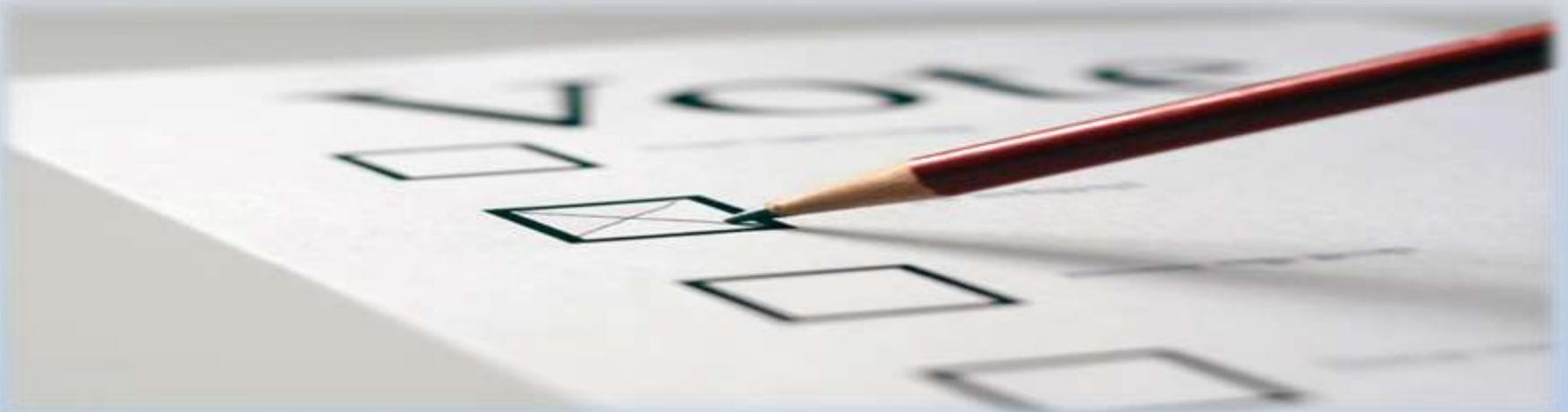
**PULLED  
BEFORE A  
VOTE ON THE  
HOUSE FLOOR**



## □ Funding Targets

- ✓ Immediate: \$ 50 Million
- ✓ Short-term (0-3 years): \$110 Million
- ✓ Mid-term (3-5 years): \$250 Million
- ✓ Long-term (6-9 years): \$400 Million

All figures are annual amounts for state highways.



# Governor's Plan – As Originally Proposed

	FY17	FY18	FY19	FY20	FY21
	(x \$1 M)				
<b>2016 Special Session</b>					
Transfer Funds from the FY15 Unobligated Surplus	20.0				
Provide Governor's Rainy Day Funds	20.0				
Special Revenue from Sales Tax on New and Used Vehicles	1.5	8.0	15.0	20.0	25.0
Redirect the \$4 Million of the Diesel Tax that goes to General Revenue to Highways (70/30 split)		2.7	2.7	2.7	2.7
Eliminate the State Central Services Deduction from 1/2 Cent Sales Tax (70/30 split)	5.4	5.4	5.4	5.4	5.4
<b>Sub-Totals 2016 Special Session</b>	46.9	16.1	23.1	28.1	33.1
<b>Potential in Future Years</b>					
Allocate up to 25% of Future GIF to Highways (Estimate Based on 10 Year Average)		48.0	48.0	48.0	48.0
<b>Totals 2016 Special Session and Potential in Future Years</b>	46.9	64.1	71.1	76.1	81.1

# As Passed and Projected

## Act 1 - Arkansas Highway Improvement Plan of 2016

	FFY16	FFY17	FFY18	FFY19	FFY20
	(x \$1 M)				
<b>2016 Special Session</b>					
Long Term Reserve Fund (formerly named Arkansas Rainy Day Fund)	40.0				
Securities Reserve Fund	1.5	20.0	20.0	20.0	20.0
Redirect the \$4 Million of the Diesel Tax that goes to General Revenue to Highways (70/30 split)		2.7	2.7	2.7	2.7
Eliminate the State Central Services Deduction from 1/2 Cent Sales Tax (70/30 split)		5.4	5.4	5.4	5.4
<b>Sub-Totals 2016 Special Session</b>	41.5	28.1	28.1	28.1	28.1
<b>Potential in Future Years</b>					
Allocate up to 25% of Future GIF to Highways (Estimate Based on 10 Year Average)		48.0	48.0	48.0	48.0
<b>Total Projected</b>	<b>41.5</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>

# Actual Compared to Projected

## Act 1 - Arkansas Highway Improvement Plan of 2016

	FFY16	FFY17	FFY18	FFY19	FFY20
	(x \$1 M)				
<b>2016 Special Session</b>					
Long Term Reserve Fund (formerly named Arkansas Rainy Day Fund)	40.0	20.0			
Securities Reserve Fund	1.5	1.7	? 20.0	? 20.0	? 20.0
Redirect the \$4 Million of the Diesel Tax that goes to General Revenue to Highways (70/30 split)		0	2.7	2.7	2.7
Eliminate the State Central Services Deduction from 1/2 Cent Sales Tax (70/30 split)		5.4	5.4	5.4	5.4
Allocate up to 25% of Future GR Surplus to Highways		3.9	?	?	?
<b>Total Received</b>	<b>41.5</b>	<b>31.3</b>	<b>?</b>	<b>?</b>	<b>?</b>
<b>Total Projected</b>	<b>41.5</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>
<b>Difference</b>	<b>0</b>	<b>(44.8)</b>	<b>?</b>	<b>?</b>	<b>?</b>

## HB 1726 BOND ISSUE

Authorizes the State Highway Commission to issue bonds for

**highway maintenance and improvements,**

upon approval by voters in a statewide election.

## HB 1727 GAS TAX

Establishes **additional fuel sales tax** at the wholesale level to be levied, only if the State Highway Commission is authorized by a statewide vote to issue highway maintenance and improvement bonds.



**HOUSE  
FOR – 38  
AGAINST – 35  
NOT VOTING - 27**





# Possible New Program



# Citizens Opinion Survey

## CITIZENS OPINION SURVEY ON HIGHWAYS IN ARKANSAS

MAIL OR EMAIL RESPONSES TO:  
ARDOT  
Public Information  
P.O. Box 2261  
Little Rock, AR 72203  
info@ardot.ar.gov

Are you satisfied with the condition of the existing state highway system?

Yes  No

What highways in your area need improvements, and what type of improvements do they need?

Priority 1: \_\_\_\_\_  
Priority 2: \_\_\_\_\_  
Priority 3: \_\_\_\_\_  
Priority 4: \_\_\_\_\_

If you want better highway conditions, the Arkansas State Highway and Transportation Department will need additional funds. Would you support a new highway program that would generate additional revenue?

Yes  No

Which of the following sources do you recommend be utilized in obtaining additional funds (check all that apply):

- Increase in gas tax
- Increase in diesel tax
- Increase in sales tax (dedicated to highways)
- Increase in registration fees
- Add sales tax on wholesale price of motor fuels
- Transfer existing sales and use tax on motor vehicles and related parts and service (currently collected but not paid to highways)
- Other: \_\_\_\_\_

Would you be willing to sign a petition to put a highway revenue proposal on the 2018 general election ballot?

Yes  No

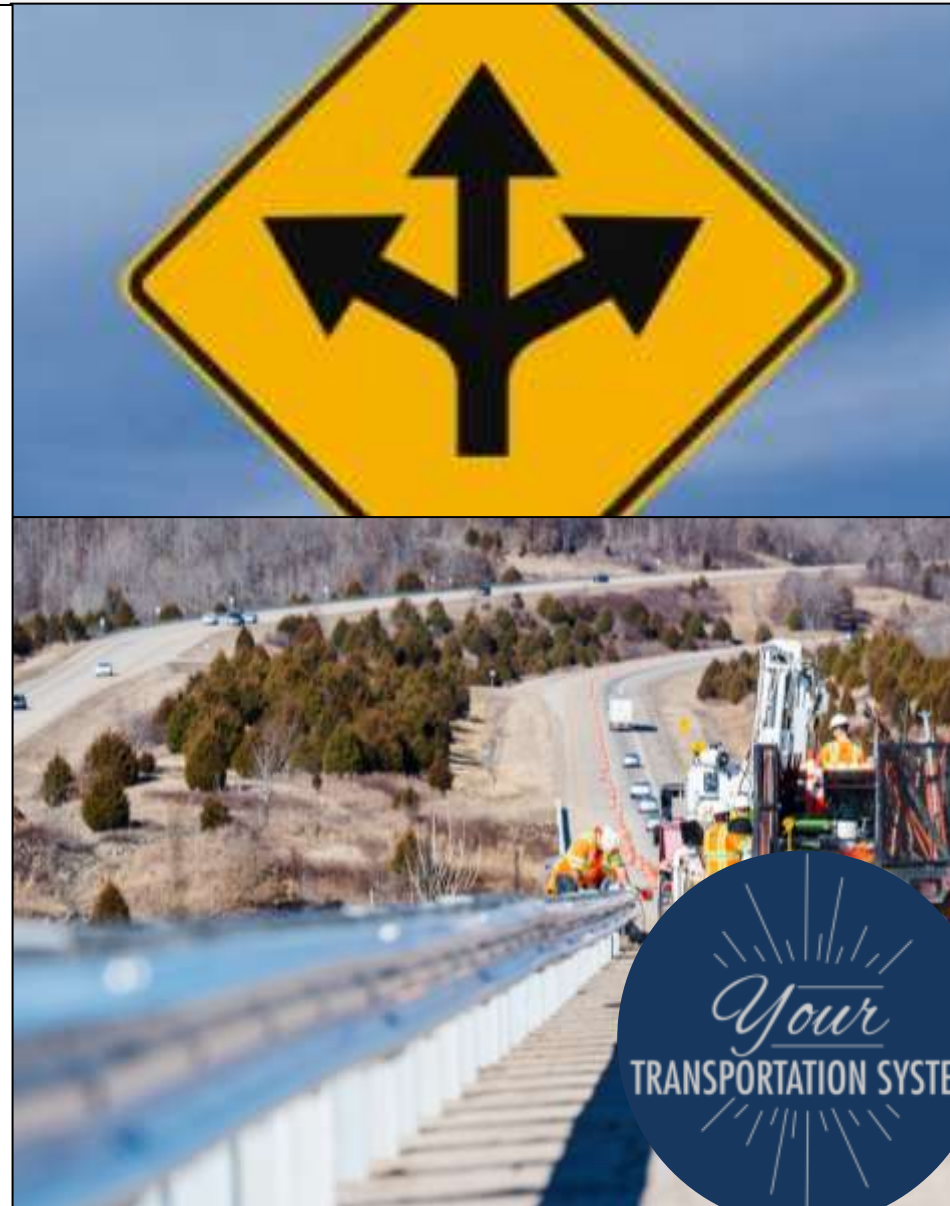
How did you hear about this survey?

- Presentation
- TV/Radio/Print
- Website/Search Engine
- Social Media
- Family or Friend
- Other: \_\_\_\_\_

Optional:

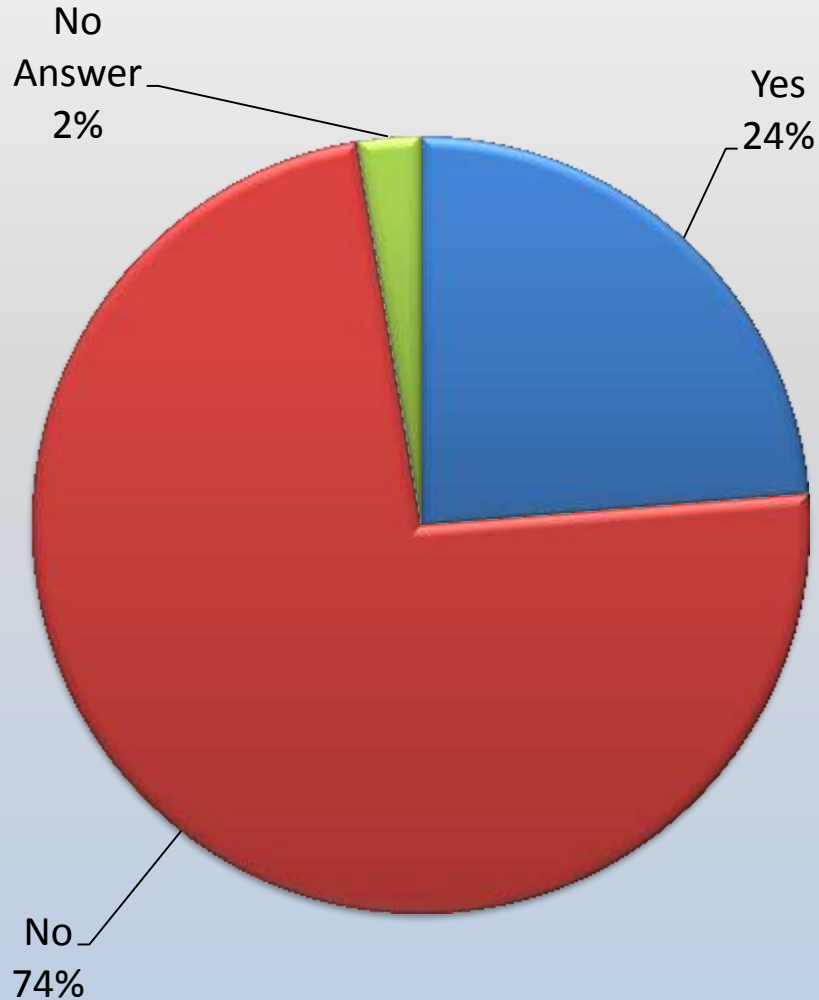
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_

Online Form Available Here:

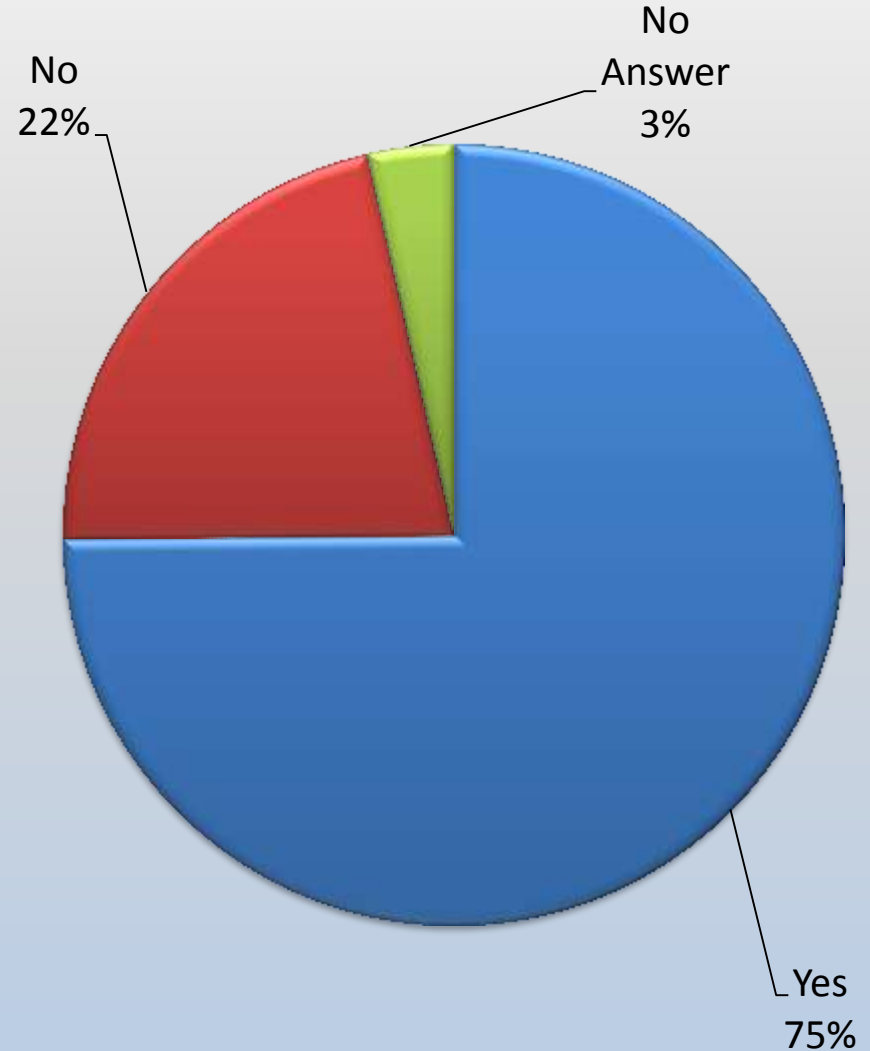


# Survey Results

Are you satisfied with the condition of the existing highway system?



Would you support a new highway program that would generate additional revenue?



**FISCAL YEAR 2016 – STATE REVENUE SOURCES**

(in millions of dollars based on FY 2016)

	TOTAL STATE REVENUE	NET REVENUE AMOUNT <sup>1</sup>	YEARLY AMOUNT TO AHTD (0%)	YEARLY AMOUNT TO CITIES <sup>2</sup> (10%)	YEARLY AMOUNT TO COUNTIES <sup>3</sup> (10%)
<b>CURRENT REVENUES TO AHTD, CITIES, AND COUNTIES</b>					
<b>A. Motor Fuels Revenue<sup>4</sup></b>	<b>416.73 M</b>	<b>403.43 M</b>	<b>388.38 M</b>	<b>66.21 M</b>	<b>66.21 M</b>
Gasoline (21.1¢ per gallon)	303.90 M	293.91 M	198.74 M	42.99 M	42.99 M
Diesel (22.5¢ per gallon)	123.24 M	118.38 M	63.86 M	17.91 M	17.91 M
LPG (1.65¢ per gallon) / CHD (3.5¢ per gallon)	8.08 M	8.08 M	0.94 M	0.01 M	0.01 M
<b>B. Motor Vehicle Registration Fees</b>	<b>128.43 M</b>	<b>124.19 M</b>	<b>96.94 M</b>	<b>16.63 M</b>	<b>16.63 M</b>
Automobiles & Pickups	34.13 M	32.34 M	26.04 M	7.88 M	7.40 M
Heavy Trucks (includes In-state and Out-of-state RFP fees)	41.82 M	40.54 M	28.37 M	6.08 M	6.08 M
Other Vehicles	32.58 M	31.31 M	21.92 M	4.70 M	4.70 M
<b>C. Miscellaneous Revenues<sup>5</sup></b>	<b>38.8 M</b>	<b>37.66 M</b>	<b>33.65 M</b>	<b>3.67 M</b>	<b>3.67 M</b>
<b>D. Natural Gas Severance Tax<sup>6</sup></b>	<b>38.67 M</b>	<b>38.31 M</b>	<b>16.82 M</b>	<b>4.26 M</b>	<b>4.26 M</b>
<b>E. Total Current Revenues<sup>7</sup></b>	<b>615.91 M</b>	<b>593.29 M</b>	<b>421.58 M</b>	<b>88.06 M</b>	<b>88.06 M</b>
<b>OTHER REVENUE SOURCES</b>					
<b>A. Highway-user Sources</b>					
Additional 1 cent Motor Fuel Tax					
1 cent motor fuel tax <sup>8</sup>	20.88 M	20.17 M	14.12 M	3.03 M	3.03 M
1 cent gasoline tax	14.68 M	14.20 M	9.94 M	2.15 M	2.13 M
1 cent diesel tax	5.17 M	5.07 M	4.18 M	0.90 M	0.88 M
Income Registration Fees on:					
Autos and Pickups by \$10	28.41 M	27.47 M	16.23 M	4.12 M	4.12 M
In-State Trucks by \$100 (except pickups)	12.86 M	12.47 M	8.73 M	1.87 M	1.87 M
In and Out-of-State Heavy Trucks from \$1,500 to \$1,800 <sup>9</sup>	5.09 M	4.40 M	3.76 M	0.81 M	0.81 M
Remove Sales Tax Exemption on Motor Fuels (wholesale price of \$1.70 per gallon) <sup>10</sup>					
Gasoline	168.86 M	164.28 M	106.01 M	23.14 M	23.14 M
Diesel	47.23 M	45.98 M	31.97 M	6.85 M	6.85 M
Add 1% Excise Tax to Motor Fuels <sup>11</sup>					
Gasoline	24.06 M	24.14 M	16.90 M	3.62 M	3.62 M
Diesel	10.50 M	10.15 M	7.11 M	1.52 M	1.52 M
Transfer a 6% Sales Tax on: <sup>12</sup>					
New Vehicles	231.09 M	223.84 M	190.70 M	39.09 M	32.86 M
Used Vehicles	105.00 M	101.68 M	71.71 M	15.24 M	15.24 M
Auto Repair, Parts, and Services <sup>13</sup>	109.01 M	103.80 M	74.13 M	15.66 M	15.66 M
Retail Tire Sales <sup>14</sup>	14.52 M	14.04 M	9.83 M	2.11 M	2.11 M
Off-Road Diesel Fuel	20.89 M	20.00 M	14.00 M	3.00 M	3.00 M
460.67					
Add 1% Surcharges on:					
New Vehicles	21.48 M	19.77 M	14.84 M	7.46 M	7.46 M
Used Vehicles	23.24 M	22.57 M	16.80 M	3.39 M	3.39 M
Auto Repair, Parts, and Services <sup>15</sup>	24.24 M	23.93 M	16.47 M	3.69 M	3.69 M
Retail Tire Sales <sup>16</sup>	3.20 M	3.12 M	2.18 M	0.47 M	0.47 M
Off-Road Diesel Fuel	4.80 M	4.44 M	3.11 M	0.67 M	0.67 M
Weight Distance Tax (1 cent per mile) <sup>17</sup>	32.48 M	34.32 M	24.02 M	5.16 M	5.16 M
One Dollar Battery Fee	0.73 M	0.75 M	0.80 M	0.11 M	0.11 M
One Dollar Tire Fee	3.12 M	3.02 M	2.11 M	0.46 M	0.46 M
<b>B. Non-Highway-user Sources</b>					
Income General Sales and Use Tax - 1%	508.89 M	492.12 M	344.47 M	73.81 M	73.81 M
Income Income Tax - 1%	31.88 M	33.84 M	21.80 M	4.94 M	4.94 M
Individual Income Tax	27.61 M	28.80 M	18.83 M	4.03 M	4.03 M
Corporate Income Tax	4.18 M	4.94 M	2.93 M	0.91 M	0.91 M

# REVENUE MENU



# Revenue Sources

Source	Highway Revenue <sup>1</sup>
1 Cent Motor Fuel Tax Increase	\$ 14 M
Remove Sales Tax Exemption (Wholesale \$1.70 per Gallon) <sup>2</sup>	\$ 108 M
6.5% Sales Tax (Wholesale \$1.70 per Gallon)	\$ 156 M
\$10 Registration Fee Increase (Cars and Pickups)	\$ 19 M
Transfer Sales Tax on New and Used Vehicles <sup>2</sup>	\$ 228 M
Transfer Sales Tax on Auto Repair Parts, Services, etc. <sup>2</sup>	\$ 74 M
1% General Sales Tax	\$ 344 M

<sup>1</sup> Amount shown is annual net to highways – after deduction for CFA/CSF and 30% to cities and counties.

<sup>2</sup> Transfer of 4.5% (“general” portion of statewide sales tax)



# Options for Generating Additional Revenue for Highways

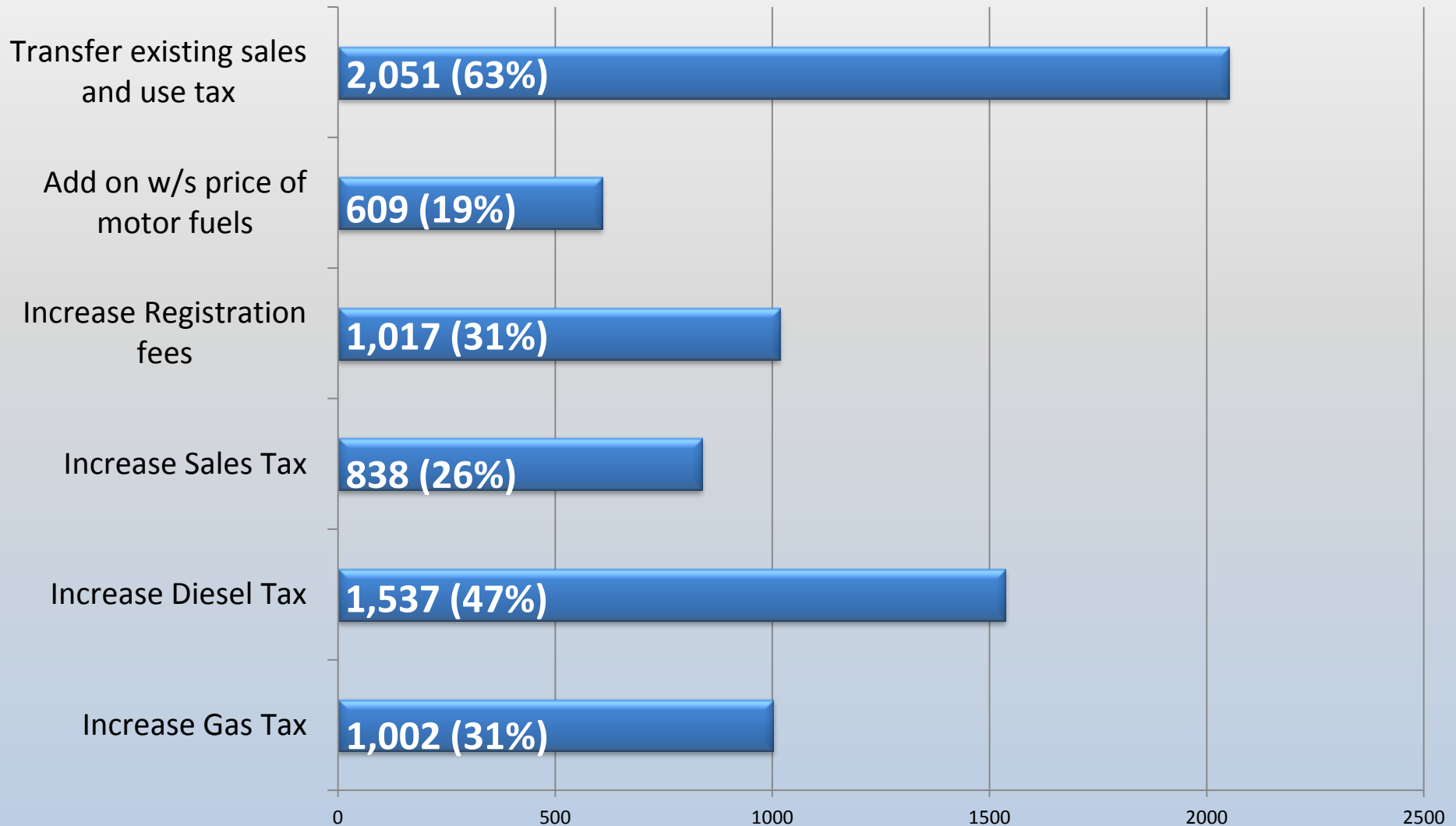
Source	\$400 Million for Highways <sup>(1)</sup>
Fuel Tax	28.4¢
Sales Tax on Fuel (wholesale)	16.67%
Registration Fee	\$208
General Sales Tax <sup>(2)</sup>	1.16%

<sup>1</sup> Amount shown is annual net to highways – after deduction for CFA/CSF and 30% to cities and counties.

<sup>2</sup> Transfer of 4.5% (“general” portion of statewide sales tax)

# Survey Results

Which of the following sources do you recommend be utilized in obtaining additional funds?



# Possible New Program

Year	New and Used Vehicles Retail Tire Sales Revenue	\$15 Registration Fee Increase	Sales Tax 1/4 cent	Total Additional to Highway Revenue (70/15/15)	Additional to Department *
	5-Year Phase-In	2-Year Phase-In			
(x \$1 Million)					
2020	\$ 73.5	\$ 21.4		\$ 94.9	\$ 66.5
2021	\$ 150.0	\$ 43.3		\$ 193.3	\$ 135.3
2022	\$ 229.4	\$ 43.7		\$ 273.2	\$ 191.2
2023	\$ 312.0	\$ 44.2		\$ 356.2	\$ 249.4
2024	\$ 397.8	\$ 44.6	\$ 144.1	\$ 586.6	\$ 410.6
<b>TOTAL TO THE HIGHWAY FUND IN YEAR 2024</b>				<b>\$ 586.6</b>	<b>\$ 410.6</b>

# Possible New Program

Year	Add 6.5% Exise Tax to Motor Fuels  3-Year Phase-In	Sales Tax 1/2 cent	Total Additional to Highway Revenue (70/15/15)	Additional to Department *
	(x \$1 Million)			
2020	\$ 111.3		\$ 111.3	\$ 77.9
2021	\$ 189.3		\$ 189.3	\$ 132.5
2022	\$ 251.0		\$ 251.0	\$ 175.7
2023	\$ 256.0		\$ 256.0	\$ 179.2
2024	\$ 261.1	\$ 288.3	\$ 549.4	\$ 384.6
<b>TOTAL TO THE HIGHWAY FUND IN YEAR 2024</b>			<b>\$ 549.4</b>	<b>\$ 384.6</b>

# Possible New Program

## Alternative Fuels

### Definition

Methanol, Ethanol and other Alcohols

Blends of Alcohol with Gasoline

Compressed Natural Gas and Liquefied Natural Gas

Liquefied Petroleum Gas (Propane)

Hydrogen

Electricity

Pure Biodiesel

### Promotion Versus Parity Issue

Complex

Annual Flat Fee?

Energy-Based Consumption?

Vehicle Miles Traveled ?

Tolls?





# Possible New Program

## The Shrinking Highway Dollar

Category	1997-2016 Percent Increase
Construction Cost Index	146%
Overlays – Cost Per Lane Mile	145 %
Bridges Replacement – Cost Per Square Foot of Deck Area	131 %
Widening from 2 to 5 Lanes – Cost Per Mile	139%

## Indexing?

### Blue Ribbon Committee Recommendation:

Indexing Current Per-Gallon Tax on Motor Fuels to Arkansas' Highway Construction Cost Index

### Governor's Working Group on Highway Funding Recommendation:

Proposal #1 – Going forward, index the motor fuel tax. Limit any increase to 2 cents per gallon.

Proposal #3 – Adjust the existing motor fuel taxes to recoup the amount lost in recent years due to inflation and index to inflation in the future.

# SIGNIFICANT LOSS OF PURCHASING POWER

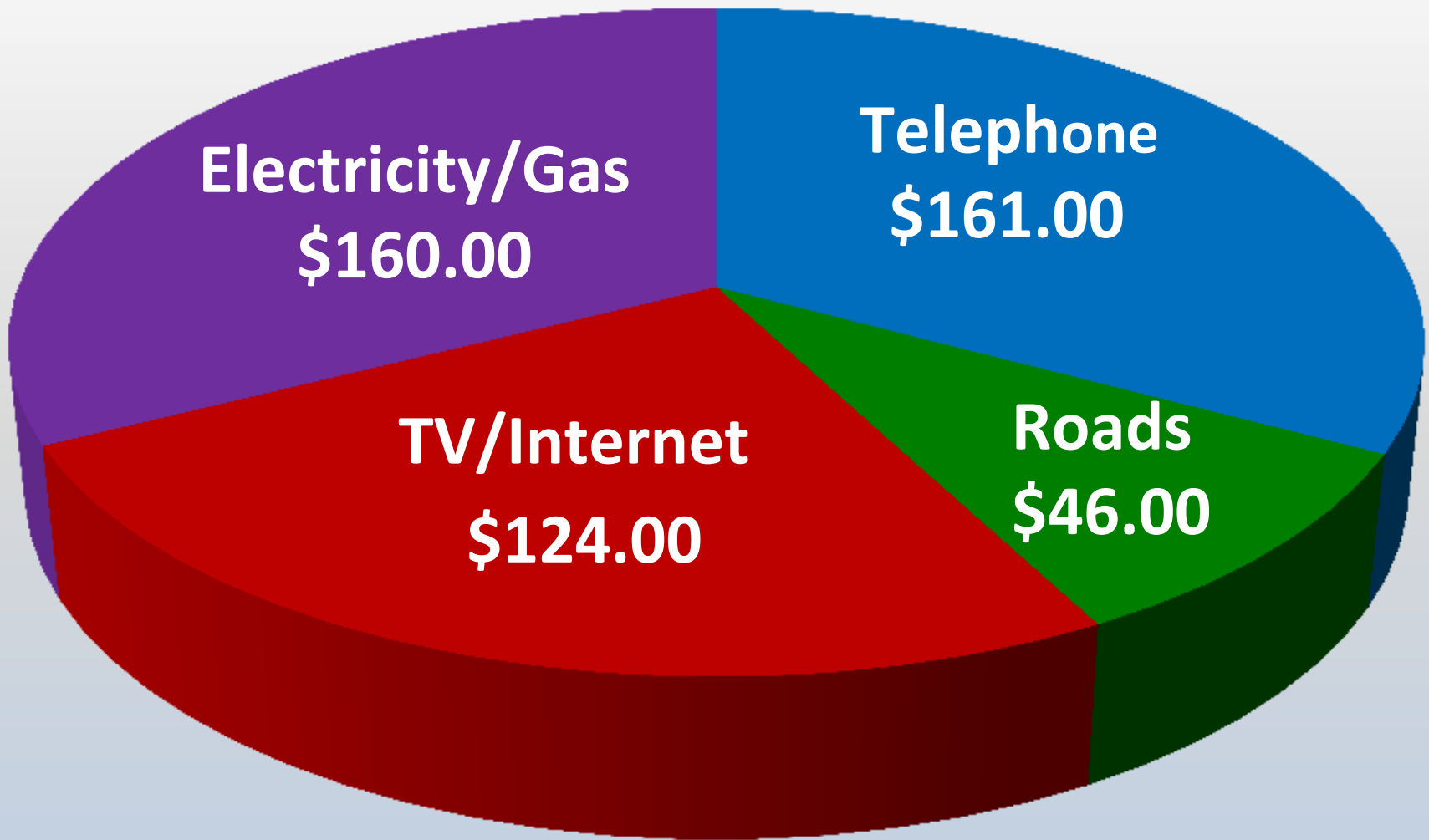
## Sample of Nominal Prices Relative to Federal Gas Tax, 1993 and 2010

ITEM	UNIT/DESCRIPTION	1993	2010	PERCENT CHANGE
<b>College Tuition</b>	Average Tuition and Required Fees	\$ 3,517	\$ 9,136	<b>160%</b>
<b>Gas</b>	Per Gallon	\$ 1.12	\$ 2.73	<b>144%</b>
<b>Movie Ticket</b>	Average Ticket Price	\$ 4.14	\$ 7.89	<b>91%</b>
<b>House</b>	Median Price	\$ 126,500	\$ 221,800	<b>75%</b>
<b>Bread</b>	Per Pound	\$ 1.08	\$ 1.76	<b>62%</b>
<b>Income</b>	Median Household	\$ 31,272	\$ 49,167	<b>57%</b>
<b>Stamp</b>	One First-class Stamp	\$ 0.29	\$ 0.44	<b>52%</b>
<b>Beef</b>	Per Pound of Ground Beef	\$ 1.57	\$ 2.28	<b>46%</b>
<b>Car</b>	Average New Car	\$ 19,200	\$ 26,850	<b>40%</b>
<b>Federal Gas Tax</b>	<b>Per Gallon</b>	<b>\$ 0.184</b>	<b>\$ 0.184</b>	<b>0%</b>

Sources: U.S. Census Bureau, U.S. Department of Transportation, U.S. Postal Service, U.S. Department of Commerce, U.S. Department of Education, National Association of Theater Owners



# Average Monthly Household Expenditures



# Possible New Program

- Projecting 10 Years of Projects
- Annual Existing Funding Available for Highway Construction is \$447 Million
- Combined With Projected New Funding Totals \$8.37 Billion Over 10 Years



# Possible New Program

## Summary

Interstate Improvements	\$1.00 Billion
Pavement Preservation	\$3.84 Billion
Bridge Replacement and Preservation	\$1.14 Billion
Capital Improvements	\$1.20 Billion
Capacity Improvements	\$0.72 Billion
Safety Improvements	\$0.47 Billion

**Totals \$8.37 Billion Over 10 Years**



# Questions?

