The Natural Gas Severance Tax of 2008
Fayetteville Shale Play Region

Total Gas Wells (2007): 194
Fayetteville Shale Play Region

Total Gas Wells (2010): 3,020
Natural Gas Severance Tax

- Acts 4 and 5 of 2008 Special Session
- Went into effect January 2009
- New source of funds for highways
- Revenue could be used anywhere, but Commission dedicated funds to projects in the Fayetteville Shale area.
## Projected Severance Tax Revenue to AHTD (in million dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected</td>
<td>$12.9</td>
<td>$47.5</td>
<td>$55.4</td>
<td>$60.4</td>
<td>$64.7</td>
</tr>
</tbody>
</table>

Source: Department of Finance & Administration
# Projected vs. Actual Severance Tax Revenue to AHTD

(in million dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected</td>
<td>$12.9</td>
<td>$47.5</td>
<td>$55.4</td>
<td>$60.4</td>
<td>$64.7</td>
</tr>
<tr>
<td>Actual/Budgeted</td>
<td>$6.5</td>
<td>$29.1</td>
<td>$35.5</td>
<td>*$37.5</td>
<td>??</td>
</tr>
</tbody>
</table>

*updated AHTD projection
Highway 124, Conway County

No Weight Restrictions
Highway 337, Cleburne County

Weight Restriction 73,280 pounds

April 2006

Pumping

January 2009
Highway 124, Conway County

No Weight Restrictions
Highway 310, White County

Weight Restriction 73,280 pounds

May 2006

August 2008

Underground Structure Failure
Highway 92, Conway County

No Weight Restrictions

June 2006

July 2008

Shoving
Highway Conditions in Fayetteville Shale Play Region

- Data collected and analyzed since 2007
  - Roughness, rutting, cracking, overall pavement condition
  - Focus at first was on lower volume highways
  - Higher volume routes are also affected

- Approximately $455 million needed to bring all highways in the area back to acceptable condition
## Severance Tax Expenditures

*(All in the Fayetteville Shale Area)*

<table>
<thead>
<tr>
<th>Projects</th>
<th>Miles</th>
<th>$$ Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed</td>
<td>27</td>
<td>247.8</td>
</tr>
<tr>
<td>Under Const.</td>
<td>3</td>
<td>30.3</td>
</tr>
<tr>
<td>Scheduled</td>
<td>25</td>
<td>170.9</td>
</tr>
<tr>
<td>Totals</td>
<td>55 projects</td>
<td>449 miles</td>
</tr>
</tbody>
</table>
2011 Interstate Rehabilitation Program
Timeline

April 2011  RFPs for design consultants
November 2011  Contract signed with Financial Advisor
December 2011  Agreements signed with 10 design firms
Currently  Assigning projects to design firms
Late 2012 (tentative)  Issue bonds and let first contracts
Temporary 0.5% Sales Tax (Issue #1)

- November 6, 2012 election ballot
- Temporary Increase
- $230m annually ($160m/$35m/$35m)
- State Aid Street Fund for City Streets
Temporary 0.5% Sales Tax (Issue #1)

- Bond debt retired over 10 years
- $1.3 Billion in general obligation bonds
- Tax expires when the bonds are retired
- Four-lane highways
- $1.8 Billion total program
Benefits of Temporary 0.5% Tax

- Completion of widening I-540 to six lanes between Fayetteville and Bentonville;
- Completion of the initial two lanes of the ultimate four lanes of the Bella Vista Bypass (Future I-49);
- Beginning the four-lane construction of the U.S. Highway 412 Bypass (Springdale) from I-540 westward to XNA Connector;
Benefits of Temporary 0.5% Tax

• Completion of widening I-40 to six lanes between Conway and North Little Rock;
• Completion of widening U.S. Highway 67 to six lanes from Jacksonville to Cabot;
• Improvements to I-30 connecting Little Rock and North Little Rock, including widening Arkansas River bridge;
Benefits of Temporary 0.5% Tax

- Completion of widening U. S. Highway 64 to four lanes between Conway and Beebe;
- Completion of widening U. S. Highway 70 to four lanes between I-30 and Hot Springs;
- Completion of widening U. S. Highway 167 to four lanes between I-530 and El Dorado;
- Completion of widening U. S. Highway 412 to four lanes between Paragould and Walnut Ridge;
Benefits of Temporary 0.5% Tax

- Completion of widening U. S. Highway 425 to four lanes from Hamburg to the Louisiana state line;

- Completion of widening Highway 18 to four lanes between Jonesboro and Blytheville;

- Continuation of widening U. S. Highway 65 to four lanes from Clinton northward;

- Continuation of widening U. S. Highway 65 to four lanes from Bellefonte southward;
Benefits of Temporary 0.5% Tax

• Continuation of widening U. S. Highway 49 to four lanes from Brinkley southward toward Helena-West Helena;

• Continuation of widening U. S. Highway 270 to four lanes from Hot Springs westward;

• Beginning the widening of U. S. Highway 82 to four lanes between Texarkana and El Dorado.
ISSUES

✓ 12th in system size but 41st in revenue
✓ Funding system flawed
✓ Making good use of what we have
✓ 4 Lane Grid System needed for safety, mobility and economic development
✓ Meeting expectations is difficult
“Things do not happen. Things are made to happen.”
- John F. Kennedy

“Difficulties mastered are opportunities won.”
- Winston Churchill