Commissioner Dick Trammel
Arkansas Highway Commission

Chad Adams, PE
District Engineer, District 4

Mena Rotary Club
Thursday, March 24, 2016
Fixing America’s Surface Transportation (FAST) Act

- Authorizes 5 Years of Funding
  - Federal Fiscal Years (FFYs) 2016-2020

- $225.2 Billion for Highway Investment

- Over 5 Years:
  - $20.2 Billion Increase from FFY 2015
  - $250 Million Increase for Arkansas
Funding Challenges

• Additional State Highway Funds Needed to Match Federal Highway Funds
  ✓ Typically 80% Federal 20% State Funds
  ✓ Use or Lose
## Estimated State Highway Revenue Analysis

### Sources and Revenues:

<table>
<thead>
<tr>
<th>Source</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Fuels and Registration Fees</td>
<td>$356.4</td>
<td>$358.2</td>
<td>$360.0</td>
<td>$361.8</td>
<td>$363.6</td>
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<tr>
<td>4¢ Diesel Tax - Committed to the Interstate Rehab. Program (IRP)</td>
<td>$16.5</td>
<td>$16.5</td>
<td>$16.5</td>
<td>$16.5</td>
<td>$16.5</td>
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<tr>
<td>Natural Gas Severance Tax</td>
<td>$29.0</td>
<td>$29.7</td>
<td>$30.4</td>
<td>$31.2</td>
<td>$32.0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$401.9</td>
<td>$404.4</td>
<td>$406.9</td>
<td>$409.5</td>
<td>$412.1</td>
<td>$407.0</td>
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### Less Fixed Expenditures:

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>AVG</th>
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<tbody>
<tr>
<td>Maintenance</td>
<td>$221.8</td>
<td>$222.9</td>
<td>$224.0</td>
<td>$225.1</td>
<td>$226.3</td>
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<tr>
<td>Administration</td>
<td>$21.8</td>
<td>$21.9</td>
<td>$22.0</td>
<td>$22.1</td>
<td>$22.2</td>
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<tr>
<td>Operations</td>
<td>$26.2</td>
<td>$26.4</td>
<td>$26.5</td>
<td>$26.6</td>
<td>$26.8</td>
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<tr>
<td>Budgeted Construction w/o Right of Way</td>
<td>$44.9</td>
<td>$45.1</td>
<td>$45.4</td>
<td>$45.6</td>
<td>$45.8</td>
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<tr>
<td>IRP Debt Service</td>
<td>$16.5</td>
<td>$16.5</td>
<td>$16.5</td>
<td>$16.5</td>
<td>$16.5</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$331.3</td>
<td>$332.8</td>
<td>$334.4</td>
<td>$336.0</td>
<td>$337.6</td>
<td>$334.5</td>
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</table>

### Total State Highway Funds Available for Highway Construction Program

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>$70.6</td>
<td>$71.6</td>
<td>$72.5</td>
<td>$73.5</td>
<td>$74.5</td>
<td>$72.5</td>
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</table>

### Less Required State Highway Matching Funds for Federal Highway Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>$116.7</td>
<td>$119.4</td>
<td>$121.9</td>
<td>$124.8</td>
<td>$127.8</td>
<td>$122.1</td>
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</tbody>
</table>

### Shortfall in State Highway Matching Funds Needed for Federal Highway Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>($46.1)</td>
<td>($47.8)</td>
<td>($49.4)</td>
<td>($51.3)</td>
<td>($53.3)</td>
<td>($49.6)</td>
<td></td>
</tr>
</tbody>
</table>
• Additional State Highway Funds Needed to Match Federal Highway Funds
  ✓ Typically 80% Federal Hwy. Funds are Matched by 20% State Hwy. Funds
  ✓ Use or Lose

• Reduction in Annual State Highway Revenue Available to Match Federal Highway Funds
  ✓ Arkansas State Aid City Street Program - $ 14 M
  ✓ Increased Maintenance Budget - $ 18 M
  ✓ Declining Natural Gas Severance Tax Revenue - $ 11 M

Total Annual Reduction - $ 43 M
## Governor’s Working Group on Highway Funding

| #1 Increase Taxes Revenue Transfer | • Index Motor Fuel Tax  
• Increase the Diesel Fuel Tax  
• Phase-in Revenue Transfer Sales Tax on New and Used Vehicles  
• Dedicate 3/8¢ of the Remaining 1/2¢ Sales Tax to Highways |
|-----------------------------------|---------------------------------------------------------------|
| #2 Revenue-Neutral Strategies     | • Redirect General Revenue Diesel Tax  
• Rebate ½ ¢ Sales Tax Revenue from Constitutional and Fiscal Agencies  
• Rebate the Sales Taxes on Construction Materials  
• Offset School Desegregation Tax Reduction with a User Fee Increase |
| #3 Increase Taxes Change User Fee Collection | • Inflation Adjustment and Indexing Motor Fuel Taxes  
• Increase Motor Fuel Taxes  
• 2017 – Consider Transition to Reportable Miles |
<p>| #4 Increase Taxes                  | • Eliminate the Sales Tax Exemption for Gasoline and Diesel |</p>
<table>
<thead>
<tr>
<th>Item</th>
<th>Source</th>
<th>2017 (x $1M)</th>
<th>2018 (x $1M)</th>
<th>2019 (x $1M)</th>
<th>2020 (x $1M)</th>
<th>2021 (x $1M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer 2015 Unobligated Funds</td>
<td>Surplus</td>
<td>$20.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from Governor</td>
<td>Rainy Day Fund</td>
<td>$20.0</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer Sales Tax New &amp; Used Vehicles</td>
<td>General Revenue</td>
<td>$ 1.5</td>
<td>$ 8.0</td>
<td>$15.0</td>
<td>$20.0</td>
<td>$25.0</td>
</tr>
<tr>
<td>Redirect Diesel Tax</td>
<td>General Revenue</td>
<td>$ 2.7</td>
<td>$ 2.7</td>
<td>$ 2.7</td>
<td>$ 2.7</td>
<td>$ 2.7</td>
</tr>
<tr>
<td>Eliminate Deduction - Temporary ½ cent Sales Tax</td>
<td>State Central Services</td>
<td>$ 5.4</td>
<td>$ 5.4</td>
<td>$ 5.4</td>
<td>$ 5.4</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$46.9</strong></td>
<td><strong>$16.1</strong></td>
<td><strong>$23.1</strong></td>
<td><strong>$28.1</strong></td>
<td><strong>$33.1</strong></td>
</tr>
</tbody>
</table>

Allocate 25% of General Improvement Funding

<table>
<thead>
<tr>
<th>Source</th>
<th>2017 (x $1M)</th>
<th>2018 (x $1M)</th>
<th>2019 (x $1M)</th>
<th>2020 (x $1M)</th>
<th>2021 (x $1M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus</td>
<td>$48.0</td>
<td>$48.0</td>
<td>$48.0</td>
<td>$48.0</td>
<td>$48.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$46.9</strong></td>
<td><strong>$64.1</strong></td>
<td><strong>$71.1</strong></td>
<td><strong>$76.1</strong></td>
<td><strong>$81.1</strong></td>
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</tbody>
</table>

Estimate based on 10-Year Average
Highway Funding Option Presented by Governor Hutchinson
2016 Special Session

• Governor’s plan through 2020:
  ✓ $40 million from the General Revenue Surplus.
  ✓ Redirect $5.4 million from Central Services Fund collected from ½ cent sales tax.
  ✓ Redirecting a portion of the sales tax on new and used vehicles.
    ▪ Phased in over five (5) years with $1.5 million immediately.
    ▪ Capped at $25 million.

• To provide a longer-term, more sustainable source of revenue, the Governor is also proposing the following:
  ▪ Redirect $2.7 million of diesel tax from the General Fund to the Highway Fund beginning in 2018.
  ▪ Dedicate 25% of the unallocated general revenue surplus each year to the highway fund beginning in 2018.
  ▪ It does not provide ‘guaranteed’ additional annual funding for highways, it at least provides a great ‘opportunity’
  ▪ The Governor stated that over the last ten years, had this been in place, it would have amounted to an average of $48 million annually to the Highway Department.
12th in the Nation for Number of Highway Miles

16,418
$76,310

43rd in the Nation for Revenue per Mile

$33,000 to $75,000
$75,000 to $150,000
$150,000 to $250,000
$250,000 to $500,000
$500,000 +
2nd Most Efficient in Administrative Costs

$2,107

- $0 to $4,000
- $4,000 to $10,000
- $10,000 to $20,000
- $20,000 to $40,000
- $40,000 +
39th in the Nation for Maintenance per Mile

$11,633
Arkansas State General Revenues vs AHTD Net Highway Revenues

Graph showing the comparison between Arkansas State General Revenues and AHTD Net Highway Revenues from 1979 to 2015. The General Revenues line shows a steady increase over the years, while the Net Highway Revenues line remains relatively flat.
Average Monthly Household Expenditures

- **Electricity/Gas**: $160.00
- **TV/Internet**: $124.00
- **Telephone**: $161.00
- **Roads**: $46.00
2015 Road User Related Tax Revenue

Total Road User Revenue Collected = $1.12 Billion

- Motor Fuel Taxes: $438.40 M
- New Vehicles: $214.03 M
- Used Vehicles: $98.33 M
- Auto Repair: $106.44 M
- Registration Fees: $122.26 M
- Retail Tire Sales: $13.41 M
- Miscellaneous: $49.43 M
- Natural Gas Severance Tax: $74.25 M

Road/Highway Revenue 61%

General Revenue 39%
Entire Interstate 49 Corridor in AR
Local Projects
Polk County – Past 10 Years

COMPLETED
33 Projects
97.9 Miles
$27.3 Million

UNDER CONSTRUCTION
3 Projects
0 Miles
$0.5 Million

PLANNED
5 Projects
5.2 Miles
$2.6 Million
Highway 71

Overlays

• Completed: 7 miles from Scott Co. line south

• Under Construction: 6 miles from Polk Co. line north
Creating new roadway for N. Morgan St. for a quarter mile in Mena.
Highway 88

Under Construction

• Streetscaping a small section of Highway 88 in Mena

Planned

• Resurfacing 5 Miles starting at Mena and going east
Maintenance

• Chip sealed 7 miles for almost $500,000 in the past 3 years
Mena High School
• ArkansasHighways.com
• ConnectingArkansasProgram.com
• Vimeo.com/AHTD
• IDriveArkansas.com
• Twitter.com @AHTD
Questions?