Arkansas Rural Development Conference

Highway Funding

How Do We Get Where We Are Going

Wednesday, May 25, 2016
Where Have We Come From?
“We are always yapping about the ‘Good Old Days’ and how we look away back and enjoy it, but I tell you there is a lot of hooey to it.”

– Will Rogers
The Teens

Highway 71 near Bella Vista

• First Commission Created
  ✓ No Hwy. Department
  ✓ No Hwy. System

• 3,600 Vehicles - $72,000 Total Budget

• 36,000 Miles of Public Roads
The Twenties

- Highway System Created
- Highway Department Created
- First Gas Tax – 1 cent per gallon
- 200,000 Vehicles/8,800 highway miles (1,400 Paved)
- Highway Commission Structure Changed Twice
The Thirties

- Gas Tax Raised to 6.5 cents per Gallon
- 1960’s Before Next Increase
- 255,000 Vehicles; 9,300 Highway miles (3,000 Paved)
- Commission Structure Changed Two More Times
The Forties

Operation of the Henderson Ferry at Norfork Lake cost $117,981 for 1947-48. During this period 189,856 vehicles were ferried over at an average cost of 62¢ per vehicle.

- **World War II – Major Influence**
- **455,000 Vehicles; 9,700 Highway Miles (4,900 Paved)**
- **Commission Structure Changed Two More Times**
- **Too much Political Influence on Highways – Growing Discontent**

Dillard's Ferry, a hand-cranked operation, crossed the Buffalo River at Highway 14 from 1929-1958.
The Fifties

1951 - Highway Audit Commission Report

“the advice, counsel and expert know-how which is available from the Department’s own technical and administrative staffs bear scant weight indeed when they are in conflict with the political pressures and political promises of the moment.”

Interstate Era

750,000 Vehicles

11,000 Miles State Highways (8,800 Paved)

9 Legislative Acts Restructured Commission since 1913

1952 – Mack Blackwell Amendment

Widening Hwy 67 near Malvern, 1956
The Sixties

- No changes to Commission Structure
- Arkansas - National Forefront in Interstate Construction/Completion
- Legislature transferred 3,400 miles of County Roads to Highway System
- 1.1 million Vehicles; 14,500 Highway Miles (13,000 Paved)
The Seventies

- **Department became Debt Free**
- **Legislature transferred nearly 1,000 more miles of County Roads to Highway System**
- **Department adds “Transportation” to its name – Authority Expanded**
- **1.7 million Vehicles; 16,000 Highway Miles (15,000 Paved)**
The Eighties

- 1985 - Rural Road Program – out of the mud
- Early Retirements – huge workforce turnover
- 2.0 million Vehicles; 16,200 Highway Miles
The Nineties

• 1991 Highway Improvement Program planned to improve or replace approximately 560 bridges.

• Section of Hwy 7 named first Scenic Byway of Arkansas.

• 1993 – Last Federal Gas Tax Increase

• 1999 – Last State Gas Tax Increase

• 1999 – Interstate Rehabilitation Program – First highway bond issue in 50 years

• I-540 (now I-49) and I-530 completed

• 2.1 million Vehicles; 16,400 Highway Miles
The New Millennium

Winter Weather in Dec 2000 and Jan 2001 cost almost $40 M.

- Governor's Working Group on Highway Funding

- 2011 – 2nd Interstate Rehabilitation Program
- 2012 – Connecting Arkansas Program

- 3.0 million Vehicles; 16,400 miles State Highways

New White River Bridge on Hwy 64 at Augusta opened in 2001.
AHTD Quick Facts

**3rd Largest State Agency**
(approx. 3,700 Employees)

**Maintains**
16,418 miles of Highway
7,335 Bridges

**Mission:**
Provide a safe, efficient, aesthetically pleasing and environmentally sound intermodal transportation system for the user.

**Central Offices in Little Rock**

**10 Districts Statewide**
<table>
<thead>
<tr>
<th></th>
<th>Projected Federal &amp; State Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Funds</strong></td>
<td>$540 million</td>
</tr>
<tr>
<td>Est. Avg. Annual Revenue from the FAST Act</td>
<td>$540 million</td>
</tr>
<tr>
<td><strong>State Funds</strong></td>
<td>$460 million</td>
</tr>
<tr>
<td>Est. Avg. Annual Revenue from State sources</td>
<td>$460 million</td>
</tr>
<tr>
<td><strong>Total Gross Available</strong></td>
<td>$1 Billion</td>
</tr>
</tbody>
</table>
# Governor’s Plan – As Originally Proposed

<table>
<thead>
<tr>
<th>Original January 2016</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer funds from the FY15 Unobligated Surplus</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Provide Governor’s Rainy Day Funds</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Special Revenue from sales tax on new and used vehicles</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 the $4 M of the diesel tax that goes to GR to Highways (70/30 split)</td>
<td>2.7</td>
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</tr>
<tr>
<td>Eliminate the State Central Services Deduction from 1/2 cent sales tax</td>
<td>5.4</td>
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</tr>
<tr>
<td><strong>Sub-Total 2016 Special Session</strong></td>
<td>46.9</td>
<td>16.1</td>
<td>23.1</td>
<td>28.1</td>
<td>33.1</td>
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### Potential in Future Years

| Allocate up to 25% of future GIF to Highways (Estimate based on 10 year avg) | 48.0 | 48.0 | 48.0 | 48.0 |

**Total 2016 Special Session and Future Years Potential** | 46.9 | 64.1 | 71.1 | 76.1 | 81.1 |
## House Bill 1009 of 2016 – As Passed

<table>
<thead>
<tr>
<th>Description</th>
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<th>FY20</th>
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<td></td>
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<td>8.0</td>
<td>15.0</td>
<td>20.0</td>
<td>25.0</td>
</tr>
<tr>
<td>* Securities Reserve Fund</td>
<td>1.5</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
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Where Do We Go From Here?
Fuel excise taxes

Highway programs are funded in part with revenue from per-gallon excise taxes on gasoline and diesel. Arkansas and surrounding states also use general revenue on highways. This map shows the gasoline and diesel excise taxes per gallon in Arkansas and surrounding states.

FEDERAL EXCISE TAX
Gasoline: 18.4 cents per gallon
Diesel: 24.4 cents per gallon

NATIONAL AVERAGE EXCISE TAX
Gasoline: 23 cents per gallon
Diesel: 24 cents per gallon

SOURCES: Arkansas Highway and Transportation Department, U.S. Energy Information Administration

Arkansas Democrat-Gazette
Where Do We Go From Here?

Texans voted to direct up to $2.5 billion per year from the state sales tax to highways. (Begins FY 2018)

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Gallons (in Billions)</th>
<th>Gas Tax (^1)</th>
<th>Diesel Tax (^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Texas</td>
<td>17.31</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>14</td>
<td>Tennessee</td>
<td>3.96</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>17</td>
<td>Missouri</td>
<td>3.28</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>24</td>
<td>Louisiana</td>
<td>2.95</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>26</td>
<td>Oklahoma</td>
<td>2.73</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>29</td>
<td>Mississippi</td>
<td>2.15</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>31</td>
<td>Arkansas</td>
<td>1.98</td>
<td>21.5</td>
<td>22.5</td>
</tr>
</tbody>
</table>

\(^1\)cents per gallon

* Revenue other than motor fuel excise taxes and registration fees.

** Does not include Natural Gas Severance Tax or the temporary 1/2 cent sales tax.
<table>
<thead>
<tr>
<th>State</th>
<th>Total</th>
<th>General Revenue</th>
<th>Percent</th>
<th>Notes</th>
<th>Effective Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>$670M</td>
<td>$0.354M</td>
<td>0.05%</td>
<td>$0.354M Miscellaneous Fund</td>
<td></td>
</tr>
<tr>
<td>Louisiana</td>
<td>$902M</td>
<td>$76M</td>
<td>8.4%</td>
<td>$50M Self-Generated $26M Interagency Transfers</td>
<td></td>
</tr>
<tr>
<td>Mississippi</td>
<td>$596M</td>
<td>$305M</td>
<td>51.2%</td>
<td>$153M Interlock Proceeds $80M Other Receipts</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$67M Truck &amp; Bus Tax $4M Contractor’s Tax</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1M Lubricating Oil Tax</td>
<td></td>
</tr>
<tr>
<td>Missouri</td>
<td>$1,215M</td>
<td>$453M</td>
<td>37.3%</td>
<td>$314M Motor Vehicle Sale Tax $125M Cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reimbursements $14M General Revenue</td>
<td></td>
</tr>
<tr>
<td>Oklahoma</td>
<td>$615M</td>
<td>$399M</td>
<td>64.8%</td>
<td>$357M Income Tax $42M Transfers</td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td>$800M</td>
<td>$79M</td>
<td>10.0%</td>
<td>$63M Sales and Use Tax $8M Gross Receipts</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$8M Beer Tax</td>
<td></td>
</tr>
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</table>
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
- Vehicles: $122.26 M
- Registration Fees: $13.41 M
- Miscellaneous: $49.43 M
- Retail Tire Sales: $13.41 M
- Natural Gas Severance Tax: $74.25 M

Road/Highway Revenue 61%

General Revenue 39%
2015 Road User Related Tax Revenue

Total Road User Revenue Collected = $1.12 Billion

AHTD Road User Revenue
= $435.7 M = 39%
Panel Discussion: Q & A