Statewide Programs
Interstate Rehabilitation Program

**Completed**
- 45 Projects
- 290 Miles
- $997 Million

**Under Construction**
- 5 Projects
- 13 Miles
- $225 Million

**Scheduled**
- 29 Projects
- 191 Miles
- $271 Million
Connecting Arkansas Program

**Completed**
- 11 Projects
- 61 Miles
- $432 Million

**Under Construction**
- 6 Projects
- 24 Miles
- $276 Million

**Scheduled**
- 19 Projects
- 100 Miles
- $1.28 Billion

**Legend**
- Completed
- Under Construction
- Scheduled
Local Projects
Garland County Since 2008

**Completed**
55 Projects
108 Miles
$132 Million

**Under Construction**
12 Projects
25 Miles
$26 Million

**Scheduled**
30 Projects
59 Miles
$203 Million
Highway 5

**Completed**
- 3 Projects
- 25 Miles
- $12 Million

**Scheduled**
- 3 Projects
- 21 Miles
- $11 Million
**Highway 7**

**Completed**
- 1 Project
- 3.4 Miles
- $6.0 Million

**Under Construction**
- 2 Projects
- 3.4 Miles
- $12 Million

**Scheduled**
- 3 Projects
- 15.3 Miles
- $25 Million
U.S. Highway 70 and Interstate 30

Completed
17.8 Miles
$79 Million

Scheduled
5.4 Miles
$150-$175 Million

- U.S. Highway 70 and Interstate 30
- Completed: 17.8 miles, $79 million
- Scheduled: 5.4 miles, $150-$175 million
Scheduled

1 Project
1.7 Miles
$10-$15 Million
Other Pavement Preservation

- **Completed**
  - 2 Projects
  - 9.9 Miles
  - $1.8 Million

- **Under Construction**
  - 3 Projects
  - 10.3 Miles
  - $3.8 Million

- **Scheduled**
  - 1 Project
  - 3.7 Miles
  - $2 Million
Hot Springs Bypass Extension

- **Project Update**
  - ✓ Environmental
  - ✓ Design

- **Next Steps**

  **Scheduled**
  5.5 Miles
  Estimated $60 Million
Future Funding Concerns
Report Released
August 31, 2017

Report:
Arkansas Legislative Audit

INTRODUCTION
This report is presented in response to a request for Arkansas Legislative Audit (ALA) to review information, estimates, and calculations provided by the Arkansas Department of Transportation (ArkDOT), formerly known as the Arkansas State Highway and Transportation Department, related to highway funding. ArkDOT has indicated that additional state funding is needed to fully maximize available federal funds and to expand non-federal construction and maintenance projects.

OBJECTIVES
The objectives of this report were to:
1. Provide information regarding state funding sources and uses for highways, with associated construction and maintenance costs, for prior years.
2. Determine the amount of matching funds needed annually in order for ArkDOT to receive the maximum federal aid available.
3. Determine the amount of additional state revenues needed to fund ArkDOT’s proposed construction and maintenance program for roads and facilities.
4. Provide a history of bond issuances, including balances and associated costs.

SCOPE AND METHODOLOGY
This report was prepared by reviewing activities for state fiscal years ended June 30, 2010 through 2016, and projections and estimates for fiscal years ending September 30, 2017 through 2020. ALA staff reviewed audit reports from prior years, particularly revenues and expenditures related to construction, and determined future federal funding from reports obtained from the Federal Highway Administration. All information for additional construction and maintenance projects was provided by ArkDOT and tested for accuracy and reasonableness by ALA staff.

The methodology used in preparing this report was developed uniquely to address the stated objectives; therefore, this report is more limited in scope than an audit or attestation engagement performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

BACKGROUND
ArkDOT recognizes revenues from both federal and state sources. State revenues include motor fuel taxes, registration fees, natural gas severance fees, and overload permits and penalties. Many highway construction projects are funded with both federal and state monies. The percentage of state participation in these projects varies depending on the federal program involved, but most programs require a 20% match.
### Exhibit III

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual Funds Needed for Highway Construction Plan</th>
<th>Annual Funds Available for Highway Construction</th>
<th>Additional Annual State Revenues Needed for Highway Construction Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Preservation</td>
<td>$387,000,000</td>
<td>$137,000,000</td>
<td>$250,000,000</td>
</tr>
<tr>
<td>Pavement</td>
<td>$117,000,000</td>
<td>$90,000,000</td>
<td>$27,000,000</td>
</tr>
<tr>
<td>Bridges</td>
<td>$504,000,000</td>
<td>$227,000,000</td>
<td>$277,000,000</td>
</tr>
<tr>
<td>Total System Preservation</td>
<td>$504,000,000</td>
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<tr>
<td>Capacity Relief</td>
<td>$305,000,000</td>
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</tr>
<tr>
<td>Safety Improvements</td>
<td>$86,000,000</td>
<td>$44,000,000</td>
<td>$42,000,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Equipment upgrades</td>
<td>$19,000,000</td>
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</tr>
<tr>
<td>Intelligent Transportation System (ITS)</td>
<td>$3,000,000</td>
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<td>$0,000,000</td>
</tr>
<tr>
<td>Total Maintenance</td>
<td>$30,000,000</td>
<td>$18,000,000</td>
<td>$0,000,000</td>
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<tr>
<td>Totals</td>
<td><strong>$925,000,000</strong></td>
<td><strong>$447,000,000</strong></td>
<td><strong>$478,000,000</strong></td>
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**Note:** Amounts shown are rounded.

Does Not Include Capital Improvement Projects

$925,000,000
# Arkansas State Legislative Audit

## Exhibit III

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The total amount needed for the proposed highway construction plan over a 10-year period is **$447,000,000**.
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Note: Amounts shown are rounded.
All State Highways – Including Interstates

Current Condition

- Poor: 24%
- Fair: 58%
- Good: 18%

2027 Condition

- Poor: 28%
- Fair: 46%
- Good: 26%
<table>
<thead>
<tr>
<th>Pay a Little Now</th>
<th>Pay a Whole Lot Later</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Filter Image]</td>
<td>![Reconstruction Image]</td>
</tr>
<tr>
<td>Overlay</td>
<td>Reconstruction</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>per lane mile</td>
<td>per lane mile</td>
</tr>
</tbody>
</table>
Federal vs. State Funding

1993 Hwy. Funding Breakdown
- Fed: 36%
- State: 64%

2016 Hwy. Funding Breakdown
- Fed: 54%
- State: 46%
Federal Funding

Congress Increases Federal Funding for Infrastructure

$10 Billion in Federal Fiscal Years 2018 and 2019

Will Require Additional State Match
Percent of Highway vs. General Revenue

- General Revenue
- Highway Revenue

1985 Fuel Tax Increase: 14.4% ($139M)
1991 Fuel Tax Increase: 11.3% ($202M)
1999 Fuel Tax Increase: 9.4% ($297M)

Excludes County & City Aid funds | Excludes CAP funds
Highway Revenue at 14.4% of General Revenue

- Excludes County & City Aid funds
- Excludes CAP funds

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Revenue</th>
<th>Highway Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>$139M</td>
<td>$0.0</td>
</tr>
<tr>
<td>1988</td>
<td>$259M</td>
<td>$1.0</td>
</tr>
<tr>
<td>1996</td>
<td>$455M</td>
<td>$4.0</td>
</tr>
<tr>
<td>2004</td>
<td>$626M</td>
<td>$14.4% $829M</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>$14.4% $931M</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>$14.4% $626M</td>
</tr>
</tbody>
</table>

Billions
Highway vs. General Revenue
Compared to Employment Levels

Excludes County & City Aid funds | Excludes CAP funds
Potential New Program
**Citizens Opinion Survey on Highways in Arkansas**

<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you satisfied with the condition of the existing state highway system?</td>
<td>Yes, No</td>
</tr>
</tbody>
</table>
| 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  
Social Media  
Other:  |

**Optional:**

- **Online Form Available Here:**
  - Name: ____________________________
  - Address: _______________________
  - City, State, Zip: ____________

**Your Transportation System**
Are you satisfied with the condition of the existing highway system?

- Yes: 22%
- No: 75%
- No answer: 3%

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

- Yes: 75%
- No: 21%
- No answer: 4%
Survey Results

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

- **Transfer existing sales and use tax**: 2,462 (63%)
- **Add on w/s price of motor fuels**: 715 (18%)
- **Increase Registration fees**: 1,223 (32%)
- **Increase Sales Tax**: 1,006 (26%)
- **Increase Diesel Tax**: 1,760 (45%)
- **Increase Gas Tax**: 1,134 (29%)
Total Road User Revenue
$1,076.5 Million

Distribution:

General Revenue
$460.7 Million (43%)

Highway Revenue
$615.9 Million (57%)
Options for Generating Additional Revenue for Highways

<table>
<thead>
<tr>
<th>Source</th>
<th>$400 Million for Highways(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel Tax</td>
<td>28.4(\text{¢})</td>
</tr>
<tr>
<td>Sales Tax on Fuel (wholesale)</td>
<td>16.67%</td>
</tr>
<tr>
<td>Registration Fee</td>
<td>$208</td>
</tr>
<tr>
<td>General Sales Tax(^{(2)})</td>
<td>1.16%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Amount shown is annual net to highways – after deduction for CFA/CSF and 30\% to cities and counties.

\(^{(2)}\) Transfer of 4.5\% (“general” portion of statewide sales tax)
Questions?