3rd Largest State Agency
(3,698 Employees)

Maintains
16,418 miles of Highway
7,335 Bridges

Central Offices in Little Rock

10 Districts Statewide
Core Values

Safety – Safety first in all we do
Public Service – Focus on the greater good
Teamwork – One vision through collaboration and communication
Quality – Deliver reliable transportation solutions
Integrity – Commitment to ethics and transparency
Efficiency – Achieve maximum benefit through fiscal responsibility
Provide safe and efficient transportation solutions to support Arkansas’ economy and enhance the quality of life for generations to come.

Adopted June 7, 2017
Arkansas has the 3rd Lowest Administrative Cost Per Mile in the Nation
GROWTH OF THE HIGHWAY SYSTEM

- 1923: 6,718 MILES
- 1924-1939: 9,300 MILES
- 1940-1956: 10,000 MILES
- 1957-1973: 15,596 MILES
- 1974-1993: 16,242 MILES
- 1994-2014: 16,418 MILES
Arkansas Primary Highway Network

7,927 miles
Carries 90% of All Traffic
Accounts for approximately 48% of State Highway System Miles
3,331 miles

Carries 66% of All Traffic

Accounts for approximately 20% of State Highway System Miles
Other Arterials

3,977 miles

Carries 21% of All Traffic

Accounts for approximately 24% of State Highway System Miles

Arkansas Primary Highway Network

Arkansas Department of Transportation

National Highway System

Other Arterials
Arkansas Primary Highway Network

Critical Service Routes

423 miles

Carries 2% of All Traffic

Accounts for approximately 3% of State Highway System Miles

- National Highway System
- Other Arterials
- Critical Service Routes
Other High Traffic Routes

196 miles

Carries 1% of All Traffic

Accounts for approximately 1% of State Highway System Miles
<table>
<thead>
<tr>
<th>Level</th>
<th>Miles</th>
<th>Traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Highway System</td>
<td>20%</td>
<td>66%</td>
</tr>
<tr>
<td>Other Arterials</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Critical Service Routes</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Other High Traffic Routes</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Totals</td>
<td>48%</td>
<td>90%</td>
</tr>
</tbody>
</table>
Other Programs & Activities

- State Aid Programs for Cities and Counties
- Game & Fish Roads
- State Park Roads
- Institutional Roads
- Airport Access Roads

- Arkansas Recreational Trails
- Public Transportation Programs
- Transportation Alternatives Program
Other Programs & Activities

- Arkansas Commercial Truck Safety and Education Program
- Adopt-A-Highway Program
- Litter Hotline
- Research Grants to State Universities
- Wildflower Program
- Historic Bridge Program
- Welcome Centers & Rest Areas
Statewide Programs
Promises Made
Promises Kept
1999 Interstate Rehabilitation Program

- 50 Projects
- 356 Miles
- $973 Million

Prior to Program
- 63% Poor or Mediocre

After Program
- 72% Good
2011 Interstate Rehabilitation Program

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

**Under Construction**
- 6 Projects
- 33 Miles
- $264 Million

**Scheduled**
- 28 Projects
- 171 Miles
- $261 Million
2012 Connecting Arkansas Program

Completed
11 Projects
61 Miles
$432 Million

Under Construction
8 Projects
40 Miles
$347 Million

Scheduled
17 Projects
85 Miles
$1.2 Billion
Southwest Arkansas Projects of Interest
Interstate 49 Progress in Arkansas
Interstate 49 Progress in Southwest Arkansas

Completed
29 Projects
84 Miles
$449 Million

U.S. 71 – Hwy. 22

(LA Line to Red River)
Interstate 49 Alternative Delivery Study

- Hwy. 22 to I-40
- 13.7 miles
- $787 million
- Funding Gap ~$700 M
- Not Feasible
**Interstate 30**

**Completed**
- 20 Projects
- 115 Miles
- $219 Million

**Under Construction**
- 1 Project
- 20 Miles
- $39 Million

**Scheduled**
- 6 Projects
- 34 Miles
- $198 Million
U.S. Highway 71 (LA Line-Ashdown)

**Completed**
- 6 Projects
- 9 Miles
- $19 Million

**Under Construction**
- 1 Project
- 15 Miles
- $3 Million

**Scheduled**
- 4 Projects
- 19 Miles
- $19 Million
U.S. Highway 71 (Ashdown-Mena)

**Completed**
- 12 Projects
- 33 Miles
- $14 Million

**Under Construction**
- 1 Project
- 1 Mile
- $9 Million

**Scheduled**
- 7 Projects
- 23 Miles
- $27 Million
U.S. Highway 71 (Mena-Fort Smith)

**Completed**
- 8 Projects
- 26 Miles
- $8 Million

**Scheduled**
- 6 Projects
- 34 Miles
- $11 Million
State Highway 41 (Forman-DeQueen)

Completed
3 Projects
6 Miles
$2 Million

Under Construction
1 Project
$14 Million

Scheduled
2 Projects
23 Miles
$2-10 Million
State Highway 53 (Interstate 30-Holly Grove)

Under Construction

1 Project
6 Miles
$5 Million
Completed
17 Projects
80 Miles
$29 Million

Under Construction
2 Projects
9 Miles
$3 Million

Scheduled
33 Projects
258 Miles
$69 Million
Under Construction

2 Projects
2 Miles
$23 Million

Scheduled

19 Projects
$56 Million
Funding Challenges
Federal vs. State Funding

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

**2016**
- Hwy. Funding Breakdown
  - Fed: 54%
  - State: 46%
Current Hwy. Funding Sources

State

Per-Gallon Motor Fuel Taxes
Vehicle Registration Fees
License/Permit/Inspection Fees
Severance Taxes
Temporary Sales Tax Increase
Average Annual Highway User Revenue Distribution

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cities</td>
<td>$107M</td>
<td>15.2%</td>
</tr>
<tr>
<td>Counties</td>
<td>$107M</td>
<td>15.2%</td>
</tr>
<tr>
<td>Other*</td>
<td>$33M</td>
<td>4.8%</td>
</tr>
<tr>
<td>Total</td>
<td>$455M</td>
<td>64.8%</td>
</tr>
</tbody>
</table>

*Note: May not add due to rounding

*Constitutional & Fiscal Agencies and Non-Highway Uses.
Challenges

➢ 12th largest system in the country

➢ 42nd in highway revenue per mile.

➢ $9.2 billion in needs

➢ $4.4 billion in available revenue
Average Monthly Household Expenditures

- **Electricity/Gas**: $160.00
- **TV/Internet**: $124.00
- **Telephone**: $161.00
- **Rods**: $46.00

Total: $591.00
## Significant Loss of Purchasing Power

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

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

$10,000,000 Overlay Program

THEN

23 years ago, in 1995, **200 miles** of Highway could be overlaid.

NOW

As of 2017, using the same resources, only **54 miles** of Highway could be overlaid.
Southwest Arkansas
Worst Roads and Bridges

Miller County
Highway 134, Section 1
Highway 71 near Fouke to Garland City

Little River County
Highway 32, Section 3
Millwood Dam Levee
Southwest Arkansas
Worst Roads and Bridges

Hempstead County
Highway 195, Section 1
Approx. 1 mile east of Fulton to Crossroads

Clark County
Highway 67, Section 6
Approx. 0.4 miles south of Highway 7 over the Caddo River in Caddo Valley
Southwest Arkansas
Worst Roads and Bridges

Sevier County
Highway 71, Section 5
Approx. 1.5 miles south of Lockesburg

Miller County
Highway 237, Section 1
Approx. 10 miles south of Texarkana
All State Highways – Including Interstates

**Current Condition**
- Poor: 24%
- Fair: 58%
- Good: 18%

**2027 Condition**
- Poor: 28%
- Fair: 46%
- Good: 26%
Pay a **Little Now**

- Overlay
  - $100,000 per lane mile

Pay a **Whole Lot Later**

- Reconstruction
  - $1,500,000 per lane mile
“... 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.”

-Final Report, Dec 2010
• Reissue GARVEE Bonds for Interstate Rehabilitation Program
  
• State Aid Programs for Cities
  
• Temporary One-Half Cent General Sales Tax to Fund a Multi-Year Construction Program
  
• Transfer Sales Tax on New and Used Vehicles, Auto Repair Parts and Services, Tires and Batteries
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

90 SPONSORS
2015 Proposed Legislation

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
"An efficient transportation system is critical for Arkansas’ economy and the quality of life of the state’s residents."
Governor’s Highway Funding Working Group

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

### 2016 Special Session

<table>
<thead>
<tr>
<th>Description</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer Funds from the FY15 Unobligated Surplus</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide Governor’s Rainy Day Funds</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
<td></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 Million of the Diesel Tax that goes to General Revenue to Highways (70/30 split)</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>Eliminate the State Central Services Deduction from 1/2 Cent Sales Tax (70/30 split)</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
</tr>
</tbody>
</table>

### Sub-Totals 2016 Special Session

| Sub-Totals 2016 Special Session                                            | 46.9  | 16.1  | 23.1  | 28.1  | 33.1  |

### Potential in Future Years

<table>
<thead>
<tr>
<th>Description</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocate up to 25% of Future GIF to Highways (Estimate Based on 10 Year Average)</td>
<td>48.0</td>
<td>48.0</td>
<td>48.0</td>
<td>48.0</td>
<td></td>
</tr>
</tbody>
</table>

### Totals 2016 Special Session and Potential in Future Years

| Totals 2016 Special Session and Potential in Future Years                  | 46.9  | 64.1  | 71.1  | 76.1  | 81.1  |
## Act 1 - Arkansas Highway Improvement Plan of 2016

### 2016 Special Session

<table>
<thead>
<tr>
<th>Description</th>
<th>FFY16</th>
<th>FFY17</th>
<th>FFY18</th>
<th>FFY19</th>
<th>FFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Reserve Fund (formerly named Arkansas Rainy Day Fund)</td>
<td>40.0</td>
<td></td>
<td></td>
<td></td>
<td></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>
</tr>
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</tr>
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<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Totals 2016 Special Session</strong></td>
<td>41.5</td>
<td>28.1</td>
<td>28.1</td>
<td>28.1</td>
<td>28.1</td>
</tr>
</tbody>
</table>

### Potential in Future Years

<table>
<thead>
<tr>
<th>Description</th>
<th>FFY16</th>
<th>FFY17</th>
<th>FFY18</th>
<th>FFY19</th>
<th>FFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocate up to 25% of Future GIF to Highways (Estimate Based on 10 Year Average)</td>
<td>48.0</td>
<td>48.0</td>
<td>48.0</td>
<td>48.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total Projected</strong></td>
<td>41.5</td>
<td>76.1</td>
<td>76.1</td>
<td>76.1</td>
<td>76.1</td>
</tr>
</tbody>
</table>
## 2016 Special Session

<table>
<thead>
<tr>
<th>Proposals</th>
<th>FFY16</th>
<th>FFY17</th>
<th>FFY18</th>
<th>FFY19</th>
<th>FFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Reserve Fund or Arkansas Rainy Day Fund</td>
<td>40.0</td>
<td>20.0</td>
<td>21.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities Reserve Fund</td>
<td>1.5</td>
<td>1.7</td>
<td>20.0</td>
<td>? 20.0</td>
<td>? 20.0</td>
</tr>
<tr>
<td>Redirect the $4 Million of the Diesel Tax that goes to General Revenue to Highways (70/30 split)</td>
<td>0</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Eliminate the State Central Services Deduction from 1/2 Cent Sales Tax (70/30 split)</td>
<td>5.4</td>
<td>5.8</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Allocate up to 25% of Future GR Surplus to Highways</td>
<td>3.9</td>
<td>0</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

### Total Received
- FFY16: 41.5
- FFY17: 31.3
- FFY18: 50.4
- FFY19: ?
- FFY20: ?

### Total Projected
- FFY16: 41.5
- FFY17: 76.1
- FFY18: 76.1
- FFY19: 76.1
- FFY20: 76.1

### Difference
- FFY16: 0
- FFY17: (44.8)
- FFY18: (25.7)
- FFY19: ?
- FFY20: ?
• Rule Review

• Reporting

• Structured Communication
**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.
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
- History of bond activities
Arkansas Legislative Audit

Report Released
August 31, 2017

Presented to
Legislative Joint
Audit Committee in
September 2017

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 (ArDOT), formerly known as the Arkansas State Highway and Transportation Department, related to highway funding. ArDOT 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 ArDOT to receive the maximum federal aid available.
3. Determine the amount of additional state revenues needed to fund ArDOT’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 federal 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 ArDOT 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
ArDOT 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></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pavement</td>
<td>$367,000,000</td>
<td>$137,000,000</td>
<td>$250,000,000</td>
</tr>
<tr>
<td>Bridges</td>
<td>$117,000,000</td>
<td>$90,000,000</td>
<td>$27,000,000</td>
</tr>
<tr>
<td>Total System Preservation</td>
<td>$504,000,000</td>
<td>$227,000,000</td>
<td>$277,000,000</td>
</tr>
<tr>
<td>Capacity Relief</td>
<td>$305,000,000</td>
<td>$157,000,000</td>
<td>$148,000,000</td>
</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>
<td></td>
</tr>
<tr>
<td>Equipment upgrades</td>
<td>$19,000,000</td>
<td>$19,000,000</td>
<td></td>
</tr>
<tr>
<td>Facilities upgrades</td>
<td>$8,000,000</td>
<td></td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Intelligent Transportation System (ITS)</td>
<td>$3,000,000</td>
<td></td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Total Maintenance</td>
<td>$30,000,000</td>
<td>$19,000,000</td>
<td>$11,000,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$925,000,000</strong></td>
<td><strong>$447,000,000</strong></td>
<td><strong>$478,000,000</strong></td>
</tr>
</tbody>
</table>

Note: Amounts shown are rounded.
# Arkansas Legislative Audit

## Exhibit III

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<td>42,000,000</td>
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<tr>
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<td></td>
</tr>
<tr>
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</tr>
<tr>
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<td>8,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intelligent Transportation System (ITS)</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>Total Maintenance</td>
<td>30,000,000</td>
<td>19,000,000</td>
<td>11,000,000</td>
</tr>
<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>
</tr>
</tbody>
</table>

Note: Amounts shown are rounded.

The total amount needed is **$925,000,000**, which does not include capital improvement projects.
### 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></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pavement</td>
<td>$367,000,000</td>
<td>$137,000,000</td>
<td>$250,000,000</td>
</tr>
<tr>
<td>Bridges</td>
<td>117,000,000</td>
<td>90,000,000</td>
<td>27,000,000</td>
</tr>
<tr>
<td>Total System Preservation</td>
<td>504,000,000</td>
<td>227,000,000</td>
<td>277,000,000</td>
</tr>
<tr>
<td>Capacity Relief</td>
<td>305,000,000</td>
<td>157,000,000</td>
<td>148,000,000</td>
</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>
<td></td>
</tr>
<tr>
<td>Equipment upgrades</td>
<td>19,000,000</td>
<td>19,000,000</td>
<td></td>
</tr>
<tr>
<td>Facilities upgrades</td>
<td>8,000,000</td>
<td></td>
<td>8,000,000</td>
</tr>
<tr>
<td>Intelligent Transportation System (ITS)</td>
<td>3,000,000</td>
<td></td>
<td>2,000,000</td>
</tr>
<tr>
<td>Total Maintenance</td>
<td>30,000,000</td>
<td>19,000,000</td>
<td>11,000,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$925,000,000</strong></td>
<td><strong>$447,000,000</strong></td>
<td><strong>$478,000,000</strong></td>
</tr>
</tbody>
</table>

Note: Amounts shown are rounded.

**Total Funds Needed:** $478,000,000
Highway Revenue at 14.4% of General Revenue

Excludes County & City Aid funds | Excludes CAP funds
Highway vs. General Revenue Compared to Employment Levels

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Revenue</th>
<th>Highway Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>4,070</td>
<td>3,965</td>
</tr>
<tr>
<td>1990</td>
<td>3,842</td>
<td>3,807</td>
</tr>
<tr>
<td>2000</td>
<td>49,725</td>
<td>3,571</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>3,698</td>
</tr>
</tbody>
</table>

Excludes County & City Aid funds | Excludes CAP funds
Possible Potential New Program Discussion
Possible Hwy. Funding Sources

State

Increase Motor Fuel Taxes
Increase Registration Fees
Sales Tax on Motor Fuels
Road User Revenue Transfer
Permanent Sales Tax Increase
Other???
Options for Generating Additional Revenue for Highways

<table>
<thead>
<tr>
<th>Source</th>
<th>$400 Million for Highways&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel Tax</td>
<td>28.4¢</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&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>1.16%</td>
</tr>
</tbody>
</table>

<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)
### The Shrinking Highway Dollar

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Cost Index</td>
<td>146 %</td>
</tr>
<tr>
<td>Overlays – Cost Per Lane Mile</td>
<td>145 %</td>
</tr>
<tr>
<td>Bridges Replacement – Cost Per Square Foot of Deck Area</td>
<td>131 %</td>
</tr>
<tr>
<td>Widening from 2 to 5 Lanes – Cost Per Mile</td>
<td>139 %</td>
</tr>
</tbody>
</table>

### 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.
Other Considerations

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?
Bond Financing Pros

- Funds immediately available

Bond Financing Cons

- Interest costs erode your buying power

<table>
<thead>
<tr>
<th></th>
<th>Total Spent</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRP</td>
<td>$ 762.5 million</td>
<td>$ 575.0 million</td>
<td>$ 187.5 million</td>
</tr>
<tr>
<td></td>
<td>Interest as a percentage of total cost</td>
<td>24.60%</td>
<td></td>
</tr>
<tr>
<td>CAP</td>
<td>$ 620.2 million</td>
<td>$ 468.9 million</td>
<td>$ 151.3 million</td>
</tr>
<tr>
<td></td>
<td>Interest as a percentage of total cost</td>
<td>24.39%</td>
<td></td>
</tr>
</tbody>
</table>
## Citizens Opinion Survey on Highways in Arkansas

**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
- [ ] Social Media
- [ ] Website/Search Engine
- [ ] Other:

**Optional:**
- [ ] Online Form Available Here:

**Name:**

**Address:**

**City, State, Zip:**
Survey Results

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%)
Arkansans Need to Decide How to Fund Your Transportation System
Questions?
Arkansas Department of Transportation

- ARDOT.gov
- ConnectingArkansasProgram.com
- Vimeo.com/myARDOT
- IDriveArkansas.com
- Twitter.com @myAR DOT