Statewide Programs
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
Connecting Arkansas Program

Completed
11 Projects
61 Miles
$432 Million

Under Construction
8 Projects
40 Miles
$347 Million

Scheduled
17 Projects
85 Miles
$1.23 Billion
Local Projects
Interstate 40
Future Interstate 49
U.S. Highway 71
U.S. Highway 71B
State Highway 96
State Highway 282
State Highway 255
State Highway 255
State Highway 59
Funding Challenges
Federal Highway Funding Issues

We Are Now in Federal Fiscal Year 2019

Congress Did Not Agree On A Spending Bill

Congress Did Agree on A Continuing Resolution Until December 7th

Provides Funding Until After Mid-Term Elections
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
Total Road User Revenue
$1,076.5 Million

Distribution:

General Revenue
$460.7 Million (43%)

Highway Revenue
$615.9 Million (57%)
Average Annual Highway User Revenue Distribution

- **Cities**: $107M (15.2%)
- **Counties**: $107M (15.2%)
- **Other**: $33M (4.8%)
- **Total**: $455M (64.8%)

*Constitutional & Fiscal Agencies and Non-Highway Uses. Note: May not add due to rounding*
Average Monthly Household Expenditures

- Electricity/Gas: $160.00
- TV/Internet: $124.00
- Roads: $46.00
- Telephone: $161.00
Challenges

- 12th largest system in the country
- 42nd in highway revenue per mile.
- $9.2 billion in needs
- $4.4 billion in available revenue
### 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>
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<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>$387,000,000</td>
<td>$137,000,000</td>
<td>$250,000,000</td>
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<tr>
<td>Bridges</td>
<td>117,000,000</td>
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<tr>
<td>Total System Preservation</td>
<td>504,000,000</td>
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<td></td>
<td></td>
</tr>
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Note: Amounts shown are rounded.
Arkansas Legislative Audit

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Does Not Include Capital Improvement Projects

$925,000,000
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<table>
<thead>
<tr>
<th>Year</th>
<th>Fuel Tax Increase</th>
<th>General Revenue</th>
<th>Net Highway Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>14.4% $139M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>11.3% $202M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>9.4% $297M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Excludes County & City Aid funds | Excludes CAP funds

Excludes County & City Aid funds | Excludes CAP funds
# 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>$0.184</td>
<td>$0.184</td>
<td>0%</td>
</tr>
</tbody>
</table>


[TRANSPORTATION.ORG]
**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.
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
Highway Revenue at 14.4% of General Revenue

- General Revenue
- Net Highway Revenue
- Highway Revenue at 14.4% of General Revenue

Billions

- General Revenue:
  - 1980: 14.4% ($139M)
  - 1988: 14.4% ($259M)
  - 1996: 14.4% ($455M)
  - 2004: 14.4% ($626M)
  - 2012: 14.4% ($829M)
  - 2016: 14.4% ($931M)

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)
**Other Considerations**

### The Shrinking Highway Dollar

<table>
<thead>
<tr>
<th>Category</th>
<th>1997-2016 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?
**Other Considerations**

**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><strong>IRP</strong></td>
<td>$ 762.5 million</td>
<td>$ 575.0 million</td>
<td>$ 187.5 million</td>
</tr>
<tr>
<td>Interest as a percentage of total cost</td>
<td>24.60%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total Spent</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAP</strong></td>
<td>$ 620.2 million</td>
<td>$ 468.9 million</td>
<td>$ 151.3 million</td>
</tr>
<tr>
<td>Interest as a percentage of total cost</td>
<td>24.39%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Arkansans Need to Decide How to Fund Their Transportation System
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  ☐ Website/Search Engine
☐ Social Media  ☐ Family or Friend
☐ Other: _______________________________________

Optional:

Name: ________________________________
Address: ________________________________
City, State, Zip: ________________________________

Online Form Available Here: [QR Code]
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%)
Arkansas Department of Transportation

• ARDOT.gov
• ConnectingArkansasProgram.com
• Vimeo.com/myARDOT
• IDriveArkansas.com
• Twitter.com @myARDOT