Ardot Quick Facts

3rd Largest State Agency
(app. 3,700 Employees)

Maintains
16,418 miles of Highway
7,335 Bridges

Mission:
Provide safe and efficient transportation solutions to support Arkansas’ economy and enhance the quality of life for generations to come.

Central Offices in Little Rock

10 Districts Statewide
Mission Statement

Provide safe and efficient transportation solutions to support Arkansas’ economy and enhance the quality of life for generations to come.

Adopted June 7, 2017
## Core Values

<table>
<thead>
<tr>
<th>Safety</th>
<th>Safety first in all we do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Service</td>
<td>Focus on the greater good</td>
</tr>
<tr>
<td>Teamwork</td>
<td>One vision through collaboration and communication</td>
</tr>
<tr>
<td>Quality</td>
<td>Deliver reliable transportation solutions</td>
</tr>
<tr>
<td>Integrity</td>
<td>Commitment to ethics and transparency</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td>Achieve maximum benefit through fiscal responsibility</td>
</tr>
</tbody>
</table>
Arkansas has the 3rd Lowest Administrative Cost Per Mile in the Nation

Arkansas = $2,107
Surrounding States Average = $4,334
National Average = $9,224
Employment Levels Efficiency

Year | Employees
--- | ---
1979 | 4,200 Employees
2000 | 3,800 Employees
2018 | 3,698 Employees
District Organization

[Image of a map showing district organization with various cities and counties labeled, along with symbols indicating central offices, district headquarters, resident engineer offices, and area headquarters/maintenance facility.]
State Highway System
GROWTH OF THE HIGHWAY SYSTEM

<table>
<thead>
<tr>
<th>Year</th>
<th>Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>6,718 MILES</td>
</tr>
<tr>
<td>1924-1939</td>
<td>9,300 MILES</td>
</tr>
<tr>
<td>1940-1956</td>
<td>10,000 MILES</td>
</tr>
<tr>
<td>1957-1973</td>
<td>15,596 MILES</td>
</tr>
<tr>
<td>1974-1993</td>
<td>16,242 MILES</td>
</tr>
<tr>
<td>1994-2014</td>
<td>16,418 MILES</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**
- 7 Projects
- 54 Miles
- $317 Million

**Scheduled**
- 27 Projects
- 150 Miles
- $218 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
$1.23 Billion

Legend:
- Blue: Completed
- Red: Under Construction
- Green: Scheduled
Projects of Interest

West/Southwest Arkansas

Arkansas Department of Transportation (ARDOT)
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
Safety Enhancements

Completed
Rumble Strips/Stripes with Pavement Markings in Various Locations

$12 Million
U.S. Highway 71

Completed
2 Projects
13 Miles
$3.3 Million
U.S. Highway 71

Under Construction
1 Project
1 Mile
$10 Million
U.S. Highway 71

Scheduled
2 Projects
10 Miles
$17 Million
Scheduled

1 Project
2.4 Miles
$1-5 Million
Scheduled
1 Project
4 Miles
Less Than $1 Million
Scheduled
1 Project
2 Bridges
$<1 Million
Scheduled
1 Project
2 Bridges
$1-5 Million
State Highway 27

Scheduled
1 Project
1 Bridge
$1-5 Million
Pavement Preservation

Completed
10 Projects
51 Miles
$14 Million

Under Construction
2 Projects
11 Miles
$7 Million

Scheduled
20 Projects
126 Miles
$26 Million
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

- Cities: 15.2%
  - $107M

- Counties: 15.2%
  - $107M

- Other*: 4.8%
  - $33M

- Other*: 64.8%
  - $455M

*Constitutional & Fiscal Agencies and Non-Highway Uses.
Note: May not add due to rounding
Federal vs. State Funding

1993
Hwy. Funding Breakdown

Fed 36%
State 64%

2016
Hwy. Funding Breakdown

Fed 54%
State 46%
Challenges

➢ 12th largest system in the country

➢ 42nd in highway revenue per mile.

➢ $9.2 billion in needs

➢ $4.4 billion in available revenue
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>Overlay</td>
<td>Reconstruction</td>
</tr>
<tr>
<td>$100,000 per lane mile</td>
<td>$1,500,000 per lane mile</td>
</tr>
</tbody>
</table>
## 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.
$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.
“... 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
Blue Ribbon Committee Recommendations

• 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
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.
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.
# 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 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>?</td>
<td>?</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></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></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

| Total Received | 41.5 | 31.3 | 50.4 | ?    | ?     |

## Total Projected

| Total Projected | 41.5 | 76.1 | 76.1 | 76.1 | 76.1 |

## Difference

| Difference | 0    | (44.8) | (25.7) | ?   | ?    |
2017 Proposed Legislation

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.
Report Released August 31, 2017

Presented to Legislative Joint Audit Committee in September 2017
Arkansas Legislative Audit

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 Pavement</td>
<td>$387,000,000</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>
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<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></td>
</tr>
<tr>
<td>Intelligent Transportation System (ITS)</td>
<td>3,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Maintenance</td>
<td>$30,000,000</td>
<td>$18,000,000</td>
<td>$11,000,000</td>
</tr>
<tr>
<td>Totals</td>
<td>$925,000,000</td>
<td>$447,000,000</td>
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Note: Amounts shown are rounded.

Does Not Include Capital Improvement Projects

$925,000,000
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</tr>
</tbody>
</table>

Note: Amounts shown are rounded.

$478,000,000
Percent of Highway vs. General Revenue

Billions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Revenue</th>
<th>Net Highway Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>$139M</td>
<td>$377M</td>
</tr>
<tr>
<td>1999</td>
<td>$297M</td>
<td>$434M</td>
</tr>
<tr>
<td>1985</td>
<td>$202M</td>
<td>$297M</td>
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</tbody>
</table>

1985 Fuel Tax Increase
1991 Fuel Tax Increase
1999 Fuel Tax Increase

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

Excludes County & City Aid funds | Excludes CAP funds
Arkansas Legislative Audit

Does Not Include Capital Improvement Projects

$ 925,000,000
Highway vs. General Revenue
Compared to Employment Levels

Excludes County & City Aid funds | Excludes CAP funds
State Highway Funding Issues

• Immediate Economic Benefits of Increasing Investment
  ✓ Supports $1.3 Billion in Economic Activity
  ✓ Supports 5,729 Jobs

• Neighbors Are Not Waiting
  ✓ Seven Have Raised State Gas Tax
  ✓ Six Have Variable Gas Tax
  ✓ Eight Have Electric Vehicle Registration Fees

• Significant Transportation Challenges
  ✓ Safety Needs
  ✓ Increasing Freight Demands
  ✓ Impacts From Congestion
Hempstead County
Received $2.2 Million to date
Projected to Receive $2.0 Million
Total $4.2 Million (Ending in 2023)

Nevada County
Received $1.6 Million to date
Projected to Receive $1.4 Million
Total $3.0 Million (Ending in 2023)
<table>
<thead>
<tr>
<th>City</th>
<th>Received</th>
<th>Projected thru 2022</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Hope</td>
<td>$ 1,074,232</td>
<td>$ 959,989</td>
<td>$ 2,034,221</td>
</tr>
<tr>
<td>Prescott</td>
<td>$ 350,735</td>
<td>$ 313,435</td>
<td>$ 664,170</td>
</tr>
<tr>
<td>McCaskill</td>
<td>$ 10,216</td>
<td>$ 9,129</td>
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<tr>
<td>Blevins</td>
<td>$ 33,520</td>
<td>$ 29,955</td>
<td>$ 63,475</td>
</tr>
<tr>
<td>Ozan</td>
<td>$ 9,045</td>
<td>$ 8,083</td>
<td>$ 17,128</td>
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<tr>
<td>Washington</td>
<td>$ 19,154</td>
<td>$ 17,117</td>
<td>$ 36,272</td>
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<tr>
<td>McNab</td>
<td>$ 7,236</td>
<td>$ 6,466</td>
<td>$ 13,702</td>
</tr>
<tr>
<td>Fulton</td>
<td>$ 21,389</td>
<td>$ 19,114</td>
<td>$ 40,503</td>
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<tr>
<td>Emmet</td>
<td>$ 55,122</td>
<td>$ 49,259</td>
<td>$104,381</td>
</tr>
<tr>
<td>Patmos</td>
<td>$ 6,810</td>
<td>$ 6,086</td>
<td>$ 12,897</td>
</tr>
</tbody>
</table>
## 2023 vs. 2024 If No Action

<table>
<thead>
<tr>
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<th>Received</th>
<th>Projected thru 2022</th>
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Total $3.0 Million (Ending in 2023)
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)
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
☐ Other: ___________________________

Optional:

Name: ___________________________
Address: ___________________________
City, State, Zip: ___________________________

Online Form Available Here: ___________________________
Survey Results

Are you satisfied with the condition of the existing highway system?
- Yes: 21%
- No: 77%

Would you support a new highway program that would generate additional revenue?
- Yes: 74%
- No: 22%
Survey Results

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

- Transfer existing sales and use tax: 2,842 (62%)
- Add on w/s price of motor fuels: 813 (18%)
- Increase Registration fees: 1,454 (32%)
- Increase Sales Tax: 1,190 (26%)
- Increase Diesel Tax: 2,038 (45%)
- Increase Gas Tax: 1,277 (28%)
Road User Related Tax Revenue (SFY 2016)

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

Arkansas Department of Transportation

@myARDOT
Arkansas Primary Highway Network

7,927 miles

Carries 90% of All Traffic

Accounts for approximately 48% of State Highway System Miles
Other Arterials

3,977 miles

Carries 21% of All Traffic

Accounts for approximately 24% of State Highway System Miles
Critical Service Routes

423 miles
Carries 2% of All Traffic
Accounts for approximately 3% of State Highway System Miles

Arkansas Primary Highway Network
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

![Map of Arkansas showing highway network with labels for different traffic routes.](image-url)
<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>
Project Prioritization & Selection
# Pavement Preservation

- Pavement Condition Rating
  - Roughness
  - Rutting
  - Cracking
- Average Daily Traffic
- Arkansas Primary Highway Network
- Truck Percent

## Pavement Preservation Goals

<table>
<thead>
<tr>
<th>System</th>
<th>Current Grade</th>
<th>Goal Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interstate System</td>
<td>B</td>
<td>A</td>
</tr>
<tr>
<td>National Highway System</td>
<td>C+</td>
<td>B</td>
</tr>
<tr>
<td>Other Arkansas Primary Highway Network</td>
<td>C-</td>
<td>C+</td>
</tr>
<tr>
<td>Non Arkansas Primary Highway Network</td>
<td>D-</td>
<td>C-</td>
</tr>
</tbody>
</table>
• **Bridge Preservation Project Selection Criteria**

  ✓ Substandard Structural Condition Rating
  ✓ Weight Restricted
  ✓ Average Daily Traffic
  ✓ Arkansas Primary Highway Network
  ✓ Safety
  ✓ Connectivity
  ✓ Truck Percent

• **Capacity (Congestion Relief) Project Selection Criteria**

  ✓ Level of Service E or F
    ▪ Definition: Extremely Congested with Poor System Reliability
  ✓ Safety
  ✓ Partnering with Local Agencies
Project Prioritization & Selection Criteria

- **Safety Improvements**
  - Systemic
  - Location Specific

- **Capital Improvements**
  - Arkansas Primary Highway Network
  - Local Agencies
  - Legislators
  - Public
  - Economic Development
  - Partnering with Local Agencies
Project Prioritization & Selection Criteria

- Safety Improvement Projects
- System Preservation Projects
- Capital Improvement Projects

Prioritized Within the Funding Available
### 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>8,000,000</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><strong>Totals</strong></td>
<td>$925,000,000</td>
<td>$447,000,000</td>
<td>$478,000,000</td>
</tr>
</tbody>
</table>

**Note:** Amounts shown are rounded.
Project Prioritization & Selection Criteria

- Capital Improvement Projects
- Safety Improvement Projects
- System Preservation Projects
Average Monthly Household Expenditures

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

Total: $501.00
### 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>

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
### Exhibit III

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Note: Amounts shown are rounded.
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
Governor’s Working Group on Highway Funding

GOVERNOR’S WORKING GROUP ON HIGHWAY FUNDING

Short-Term Recommendation

December 15, 2015

Presented to:
The Honorable Asa Hutchinson, Governor

Compiled and drafted by:
Chairman Darren Barel, State Budget Administrator
Tori B. Gordon, Policy Advisor, Office of Governor Asa Hutchinson

Arkansas Department of Transportation
## 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</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>(70/30 split)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Totals 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>
</tr>
</tbody>
</table>

### 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**

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46.9</td>
<td>64.1</td>
<td>71.1</td>
<td>76.1</td>
<td>81.1</td>
</tr>
</tbody>
</table>
## 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>
<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></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>
• Rule Review

• Reporting

• Structured Communication
## Alternative Fuels

<table>
<thead>
<tr>
<th>Definition</th>
<th>Promotion Versus Parity Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methanol, Ethanol and other Alcohols</td>
<td>Complex</td>
</tr>
<tr>
<td>Blends of Alcohol with Gasoline</td>
<td>Annual Flat Fee?</td>
</tr>
<tr>
<td>Compressed Natural Gas and Liquefied Natural Gas</td>
<td>Energy-Based Consumption?</td>
</tr>
<tr>
<td>Liquefied Petroleum Gas (Propane)</td>
<td>Vehicle Miles Traveled ?</td>
</tr>
<tr>
<td>Hydrogen</td>
<td>Tolls?</td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
</tr>
<tr>
<td>Pure Biodiesel</td>
<td></td>
</tr>
</tbody>
</table>
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><strong>Interest as a percentage of total cost</strong></td>
<td>24.60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CAP</strong></td>
<td>$ 620.2 million</td>
<td>$ 468.9 million</td>
<td>$ 151.3 million</td>
</tr>
<tr>
<td><strong>Interest as a percentage of total cost</strong></td>
<td>24.39%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>