Scott E. Bennett, P.E.
Director

Freshmen Legislator Orientation
Monday, November 26, 2018
History
“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

• First Commission Created
  ✓ No Highway Department
  ✓ No Highway System
• $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 and Forties

- Gas Tax Raised to 6.5 cents per Gallon
- 1960’s Before Next Increase
- Commission Structure Changed Four More Times
- 9,700 Highway Miles (4,900 Paved)
- Too much Political Influence on Highways
  - Growing Discontent
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
- 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 and Seventies

- No changes to Commission Structure
- Department became Debt Free
- Legislature transferred nearly 4,400 more miles of County Roads to Highway System
- Department adds “Transportation” to its name – Authority Expanded
- 1st State to Complete its Interstate System (1975)
- 16,000 Highway Miles (15,000 Paved)
The Eighties and Nineties

- 1985 – Rural Road Program – out of the mud
- Early Retirements – huge workforce turnover
- 1991 – Highway Improvement Program
- 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
- 16,400 Highway Miles
Winter Weather in Dec 2000 and Jan 2001 cost almost $40 M.

- 2011 – 2nd Interstate Rehabilitation Program
- 2012 – Connecting Arkansas Program
- Governor’s Working Group on Highway Funding
- 16,400 miles State Highways
New Name – New Identity

1929  
Arkansas Highway and Department of Lands

1977  
Arkansas State Highway and Transportation Department

2017  
Arkansas Department of Transportation
About Us
Scott E. Bennett - Director

Lorie H. Tudor - Deputy Director and Chief Operating Officer

Emanuel Banks - Deputy Director and Chief Engineer

Randy Ort - Assistant Chief-Administration

Kevin Thornton - Assistant Chief Engineer-Planning

Michael Fugett - Assistant Chief Engineer-Design

Tony Sullivan - Assistant Chief Engineer-Operations

Rita Looney - Chief Legal Counsel

Patrick Patton - Chief Fiscal Officer

Danny Straessle - Public Information Officer
Gill Rogers
Governmental Relations Officer

Office: 501-569-2108
Cell: 501-920-3172

Gill.Rogers@ardot.gov
ArDOT Quick Facts

3rd Largest State Agency
(3,698 Employees)

Maintains
16,418 miles of Highway
7,300 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

Arkansas = $2,107
Surrounding States Average = $4,334
National Average = $9,224
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>
Arkansas Primary Highway Network

7,927 miles

Carries 90% of All Traffic

Accounts for approximately 48% of State Highway System Miles
Arkansas Primary Highway Network

National Highway System

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 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

- National Highway System
- Other Arterials
- Critical Service Routes
- Other High Traffic Routes
<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>
• 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
$1.2 Billion
Statewide Transportation Improvement Program
(STIP)

- Federal Requirement
- Arkansas State Highway Needs and Capital Improvements Study
- Investment Plan Determined
- Projects Prioritized
- Projects Scheduled Next 4 Years
- Financial Constraint
- Public Involvement
- Federal Highway and Federal Transit Administrations Approval
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

- **Cities**
  - $110M (15.9%)
  - $439M (63.5%)
- **Counties**
  - $110M (15.9%)
- **Other***
  - $32M (4.7%)

*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
- **Rocks**: $46.00
# 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>
</tbody>
</table>

## Federal Gas Tax

<table>
<thead>
<tr>
<th>PERCENT CHANGE</th>
<th>Per Gallon</th>
<th>1993</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>$0.184</td>
<td>$0.184</td>
<td></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.
“...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
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 WORKING GROUP ON HIGHWAY FUNDING

Short-Term Recommendation

December 15, 2015

Presented to:
The Honorable Asa Hutchinson, Governor

Compiled and drafted by:
Chairman Damon Bird, State Budget Administrator
Toni R. Gordon, Policy Advisor, Office of Governor Asa Hutchinson
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

<table>
<thead>
<tr>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>(x $1 M)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>Highways (70/30 split)</td>
<td></td>
<td></td>
<td></td>
<td></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>
## Act 1 - Arkansas Highway Improvement Plan of 2016

### As Passed and Projected

<table>
<thead>
<tr>
<th>2016 Special Session</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><strong>41.5</strong></td>
<td><strong>28.1</strong></td>
<td><strong>28.1</strong></td>
<td><strong>28.1</strong></td>
<td><strong>28.1</strong></td>
</tr>
</tbody>
</table>

### Potential in Future Years

<table>
<thead>
<tr>
<th>Allocate up to 25% of Future GIF to Highways (Estimate Based on 10 Year Average)</th>
<th>FFY16</th>
<th>FFY17</th>
<th>FFY18</th>
<th>FFY19</th>
<th>FFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48.0</td>
<td>48.0</td>
<td>48.0</td>
<td>48.0</td>
<td></td>
</tr>
</tbody>
</table>

**Total Projected**

<table>
<thead>
<tr>
<th>FFY16</th>
<th>FFY17</th>
<th>FFY18</th>
<th>FFY19</th>
<th>FFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>41.5</strong></td>
<td><strong>76.1</strong></td>
<td><strong>76.1</strong></td>
<td><strong>76.1</strong></td>
<td><strong>76.1</strong></td>
</tr>
</tbody>
</table>
## 2016 Special Session

<table>
<thead>
<tr>
<th>Proposal</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>

### Actual Compared to Projected

<table>
<thead>
<tr>
<th></th>
<th>FFY16</th>
<th>FFY17</th>
<th>FFY18</th>
<th>FFY19</th>
<th>FFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Received</td>
<td>41.5</td>
<td>31.3</td>
<td>50.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Projected</td>
<td>41.5</td>
<td>76.1</td>
<td>76.1</td>
<td>76.1</td>
<td>76.1</td>
</tr>
<tr>
<td>Difference</td>
<td>0</td>
<td>(44.8)</td>
<td>(25.7)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Act 1 - Arkansas Highway Improvement Plan of 2016

- 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.
Arkansas Legislative Audit

- 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
Report Released
August 31, 2017

Presented to
Legislative Joint
Audit Committee in
September 2017
### 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><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.
### 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</th>
<th>Annual Funds Available for Highway Construction</th>
<th>Additional Annual State Revenues Needed for Highway Construction</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>
</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>$8,000,000</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>$18,000,000</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.

*Does Not Include Capital Improvement Projects*
Arkansas State Legislative Audit

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 Plan</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>$387,000,000</td>
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<td>Maintenance</td>
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<td></td>
</tr>
<tr>
<td>Facilities upgrades</td>
<td>8,000,000</td>
<td>8,000,000</td>
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<tr>
<td>Intelligent Transportation System (ITS)</td>
<td>3,000,000</td>
<td>2,000,000</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>
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<td><strong>$447,000,000</strong></td>
<td><strong>$478,000,000</strong></td>
</tr>
</tbody>
</table>

Note: Amounts shown are rounded.
$478 Annual Investment Results

• 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
Arkansans Major Public Asset
Transportation Infrastructure

<table>
<thead>
<tr>
<th>State Highway System</th>
<th>Gross Replacement Value</th>
<th>Average Annual Investment to Maintain State of Good Repair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>$58.1 Billion</td>
<td>$387 Million (0.67%)</td>
</tr>
<tr>
<td>Bridges</td>
<td>$11.0 Billion</td>
<td>$117 Million (1.06%)</td>
</tr>
<tr>
<td>Total</td>
<td>$69.1 Billion</td>
<td>$504 Million (0.73%)</td>
</tr>
</tbody>
</table>

Based on Arkansas DOT Transportation Asset Management Plan and Legislative Audit Report
Economic Impact of Infrastructure Investment

• Increased Property Values
• Attraction to Businesses
  ✓ Higher Wages
  ✓ More Job Opportunities
• Less Expense on Vehicle Wear and Tear = Greater Expendable Income
• Safety Benefits
  ✓ Reduced Fatalities
  ✓ Reduced Property Damage
Economic Impact of Infrastructure Investment
Consequences of Delayed Maintenance

Apartment Complex Analogy

- **Construction Funding - Investment**
  - Income Generator
  - Monthly Rent

- **Maintenance Funding – Unavailable**
  - Roof Leaks
  - Roof Deck is Damaged
  - Mold Develops
    - Monthly Rent Income Decreases
    - Resale Value Decreases

- **Final Result**
  - Health Department Shuts Down
    - Monthly Rent Income Completely Lost
    - High Cost to Replace/Renovate

“Assets become a liability without adequate funding.”
~ Commissioner Tom Schueck
Quality of Life is Directly Linked to:

- Reliable Access to:
  - Housing
  - Family, Friends, Spirituality
  - Employment
  - School
  - Health Care
  - Recreation/Entertainment
  - Consumer Goods
  - Consumer Services
**Infrastructure Investment and Quality of Life**

**Consequences of Delayed Maintenance of Highway Assets**

<table>
<thead>
<tr>
<th>Pay a <strong>Little</strong> Now</th>
<th>Pay a <strong>Whole Lot</strong> Later</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overlay</strong></td>
<td><strong>Reconstruction</strong></td>
</tr>
<tr>
<td>$100,000 per lane mile</td>
<td>$1,500,000 per lane mile</td>
</tr>
</tbody>
</table>
Randolph County
Highway 34 North of Highway 90
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.
## 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>
Highway Revenue at 14.4% of General Revenue

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

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

Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,070</td>
<td>$3,965</td>
<td>$3,842</td>
<td>$3,807</td>
<td>$3,571</td>
<td>$3,698</td>
</tr>
<tr>
<td>$30,000</td>
<td>$32,000</td>
<td>$43,000</td>
<td>$49,725</td>
<td>$56,099</td>
<td>$58,651</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 ☐ Website/Search Engine
☐ Social Media ☐ Family or Friend
☐ Other: ____________________________________

Optional: ____________________________________

Name: ___________________________
Address: _________________________
City, State, Zip: ___________________
Survey Results

Are you satisfied with the condition of the existing highway system?

- No: 77%
- Yes: 21%

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

- No: 22%
- Yes: 74%
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%)
Total Road User Revenue
$1.219 Billion

Distribution:

General Revenue
$528.7 Million (43%)

Highway Revenue
$690.7 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 @myARDOT