Economic Growth and Transportation
Highway Investment

How do highway investments in the state highway system translate into improvements in economic productivity?

An efficient transportation system allows companies to lower transportation costs, which lowers production costs and enhances productivity and profits.

A good highway system promotes tourism and other methods of stimulating the local economy.
Budget

Where to spend money on a tight budget?
Average Monthly Household Expenditures

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

Costs

Revenue
Percent of Highway vs. General Revenue

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

Billions

- General Revenue
- Net Highway Revenue

Fiscal Year:
- 1980
- 1988
- 1996
- 2004
- 2012
- 2016

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

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

Billions

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
Highway vs. General Revenue Compared to Employment Levels

- General Revenue
- Highway Revenue

Excludes County & City Aid funds | Excludes CAP funds

Billions

<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>1985</td>
<td>$3,965</td>
<td>$3,842</td>
</tr>
<tr>
<td>1990</td>
<td>$3,842</td>
<td>$3,807</td>
</tr>
<tr>
<td>1995</td>
<td>$3,807</td>
<td>$3,571</td>
</tr>
<tr>
<td>2000</td>
<td>$3,571</td>
<td>$3,698</td>
</tr>
<tr>
<td>2005</td>
<td>$49,725</td>
<td>$49,725</td>
</tr>
<tr>
<td>2010</td>
<td>$58,651</td>
<td></td>
</tr>
</tbody>
</table>

Excludes County & City Aid funds | Excludes CAP funds
THEN

22 years ago, in 1995, **33 miles** of Highway could be widened.

NOW

As of 2015, using the same resources, only **15 miles** of Highway could be widened.
16,432 miles

Source: FHWA Highway Statistics 2016
41st in Revenue Per Mile

$94,463

Source: FHWA Highway Statistics 2016
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
Promises Made

Promises Kept

ARKANSAS DEPARTMENT OF TRANSPORTATION

pave the Way
Rebuilding Arkansas Interstates

INTERSTATE REHABILITATION PROGRAM

CONNECTING ARKANSAS PROGRAM
Promises

1. Rebuilding Arkansas Interstates
2. Interstate Rehabilitation Program (IRP)
3. Connecting Arkansas Program (CAP)
4. Voter Approved
2011 Interstate Rehabilitation Program

**Completed**
- 46 Projects
- 290 Miles
- $1.00 Billion

**Under Construction**
- 6 Projects
- 54 Miles
- $314 Million

**Scheduled**
- 27 Projects
- 159 Miles
- $220 Million
2012 Connecting Arkansas Program

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

**Under Construction**
- 9 Projects
- 46 Miles
- $534 Million

**Scheduled**
- 16 Projects
- 78 Miles
- $1.06 Billion
<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>
“An efficient transportation system is critical for Arkansas’ economy and the quality of life of the state’s residents.”
# Act 1 - Arkansas Highway Improvement Plan of 2016

## 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>12.7</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>1.4</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>3.0</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>

<table>
<thead>
<tr>
<th></th>
<th>Total Received</th>
<th>Total Projected</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>41.5</td>
<td>76.1</td>
<td>(44.8)</td>
</tr>
<tr>
<td></td>
<td>31.3</td>
<td>76.1</td>
<td>(25.7)</td>
</tr>
<tr>
<td></td>
<td>50.4</td>
<td>76.1</td>
<td>(59.0)</td>
</tr>
<tr>
<td></td>
<td>17.1</td>
<td>76.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>?</td>
<td>76.1</td>
<td></td>
</tr>
</tbody>
</table>
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 - 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
## 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>$367,000,000</td>
<td>$137,000,000</td>
<td>$250,000,000</td>
</tr>
<tr>
<td>Pavement</td>
<td>$117,000,000</td>
<td>$90,000,000</td>
<td>$27,000,000</td>
</tr>
<tr>
<td>Bridges</td>
<td>$504,000,000</td>
<td>$227,000,000</td>
<td>$277,000,000</td>
</tr>
<tr>
<td>Total System Preservation</td>
<td>$305,000,000</td>
<td>$157,000,000</td>
<td>$148,000,000</td>
</tr>
<tr>
<td>Capacity Relief</td>
<td>$86,000,000</td>
<td>$44,000,000</td>
<td>$42,000,000</td>
</tr>
<tr>
<td>Safety Improvements</td>
<td>$19,000,000</td>
<td>$19,000,000</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$8,000,000</td>
<td>$8,000,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Equipment upgrades</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td></td>
</tr>
<tr>
<td>Facilities upgrades</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td></td>
</tr>
<tr>
<td>Intelligent Transportation System (ITS)</td>
<td>$3,000,000</td>
<td>$3,000,000</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.
## Summary of Needs – 10 Years

<table>
<thead>
<tr>
<th>NEEDS CATEGORY</th>
<th>COST (x $1 M)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System Preservation</strong></td>
<td></td>
</tr>
<tr>
<td>Pavement</td>
<td>$3,438</td>
</tr>
<tr>
<td>Bridges</td>
<td>$1,238</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>$3,236</td>
</tr>
<tr>
<td><strong>Safety</strong></td>
<td>$787</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>$202</td>
</tr>
<tr>
<td>Facilities</td>
<td>$70</td>
</tr>
<tr>
<td>ITS</td>
<td>$30</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$9,001</td>
</tr>
</tbody>
</table>
## Summary: Needs vs Revenue – 10 Years

2016 Dollars

<table>
<thead>
<tr>
<th>AMOUNT (x $1 M)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESTIMATED REVENUE</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td><strong>$4,415</strong></td>
</tr>
<tr>
<td>Federal-aid + State</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NEEDS</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td><strong>$9,001</strong></td>
</tr>
<tr>
<td>Pavement, Bridges, Capacity, Safety, Equipment, Facilities, ITS</td>
<td></td>
</tr>
<tr>
<td><strong>SHORTFALL</strong></td>
<td><strong>$4,586</strong></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Revenue Not Currently Dedicated to Routine Maintenance, Administration and Operations

<sup>(2)</sup> Does Not Include Economic Development Connectors or Congressionally-Designated High Priority Corridors
Challenges

- 12th largest system in the country
- 42nd in highway revenue per mile.
- $9.3 billion in needs
- $4.5 billion in available revenue
"As to the long-term solutions, it emphasizes that it is difficult to get a referral of this General Assembly out to the voters, and that I hope the leadership of our state and the business community and others will look at an initiated act that might go on the ballot for a highway program," he said. "Otherwise, we'll continue to debate the long-term solution in future sessions."

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.
## Revenue Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Highway Revenue¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Cent Motor Fuel Tax Increase</td>
<td>$ 14 M</td>
</tr>
<tr>
<td>Remove Sales Tax Exemption (Wholesale $1.70 per Gallon)²</td>
<td>$ 108 M</td>
</tr>
<tr>
<td>6.5% Sales Tax (Wholesale $1.70 per Gallon)</td>
<td>$ 156 M</td>
</tr>
<tr>
<td>$10 Registration Fee Increase (Cars and Pickups)</td>
<td>$ 19 M</td>
</tr>
<tr>
<td>Transfer Sales Tax on New and Used Vehicles²</td>
<td>$ 228 M</td>
</tr>
<tr>
<td>Transfer Sales Tax on Auto Repair Parts, Services, etc.²</td>
<td>$ 74 M</td>
</tr>
<tr>
<td>1% General Sales Tax</td>
<td>$ 344 M</td>
</tr>
</tbody>
</table>

¹ Amount shown is annual net to highways – after deduction for CFA/CSF and 30% to cities and counties.
² Transfer of 4.5% (“general” portion of statewide sales tax)
Total Road User Revenue
$1.219 Billion

Distribution:

General Revenue
$528.7 Million (43%)

Highway Revenue
$690.7 Million (57%)
Average Annual Highway User Revenue Distribution

- **Cities**: $110M (15.9%)
- **Counties**: $110M (15.9%)
- **Other***: $32M (4.7%)
- **Total**: $438M (63.5%)

*Constitutional & Fiscal Agencies and Non-Highway Uses.

Note: May not add due to rounding
Funding

Costs
Revenue
Pavement Preservation

Completed
- 93 Projects
- 278 Miles
- $77 Million

Under Construction
- 1 Project
- 5 Miles
- $13 Million

Scheduled
- 18 Projects
- 143 Miles
- $23 Million
Bridge Replacement

**Completed**
- 11 Projects
- 4 Miles
- $98 Million

**Under Construction**
- 4 Projects
- 0.5 Mile
- $26 Million

**Scheduled**
- 5 Projects
- 6 Miles
- $19 Million
U.S. Highway 65

Completed
8 Projects
45 Miles
$23 Million
U.S. Highway 278

Completed Pavement Preservation
25 Miles
$5 Million
U.S. Highway 82

Completed
8 Projects
29 Miles
$26 Million

Under Construction
2 Projects
11 Miles
$51 Million

Programmed
2 Projects
27 Miles
$25 Million
State Highway 425

Under Construction

2 Projects
15 Miles
$71 Million
Scheduled
Replace UPRR Overpass
$1-5 Million
State Highway 208

Scheduled
Resurfacing
8 Miles
$<1 Million
State Highway 35

Scheduled
Resurfacing
6.1 Miles
$5-10 Million
Future Interstate 69

Scheduled
New Location
1.8 Miles
$50-75 Million
Completed
2.9 Miles
$7.4 Million

Under Construction
5.1 Miles
$12.9 Million
Delta Trail Head Facility
McCallie Access Overlook

Map showing McCallie Scenic Overlook and Boat Ramps, Delta Heritage Trail State Park, Lake Kate Adams Access (AGFC Funded), McCallie Access (DRA Funded), Choctaw Island WMA West, and High Water Access and Scenic Overlook in Desha County, AR.