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***American Council of Engineering Companies of Arkansas***



***ARDOT Update, Challenges and Opportunities***

**Wednesday, November 7, 2018**



**Welcome!**



**Future Consultant Opportunities**

## **Connecting Arkansas Program Construction Engineering & Inspection Services**

Scheduled for 2019 – 8 Projects for \$812 Million

4 Projects In-House

2 Projects by Consultants

2 Projects To Be Determined

## **On-Call Consultant Selections Underway**

- Planning
- Construction Engineering & Inspection
- Geotechnical Services
- Land Slide Design and Repair Services



# Funding Challenges

# Challenges

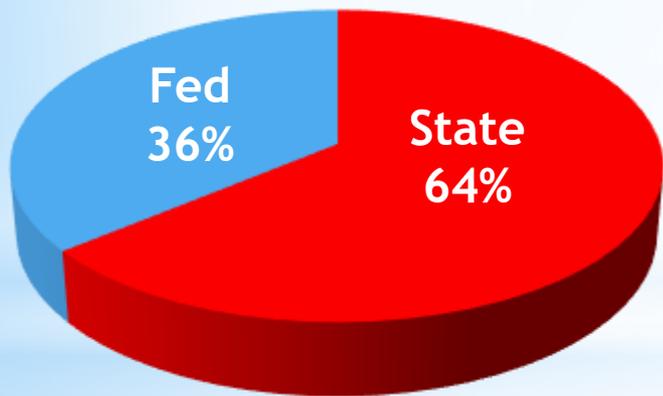
- **12<sup>th</sup>** largest system in the country
- **42<sup>nd</sup>** in highway revenue per mile.
- **\$9.3 billion** in needs
- **\$4.5 billion** in available revenue



# Federal vs. State Funding

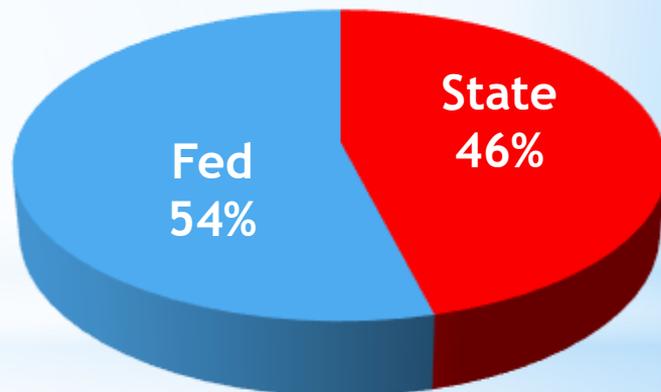
## 1993

### Hwy. Funding Breakdown



## 2016

### Hwy. Funding Breakdown



# Current Hwy. Funding Sources

## State

*Per-Gallon Motor Fuel Taxes*

*Vehicle Registration Fees*

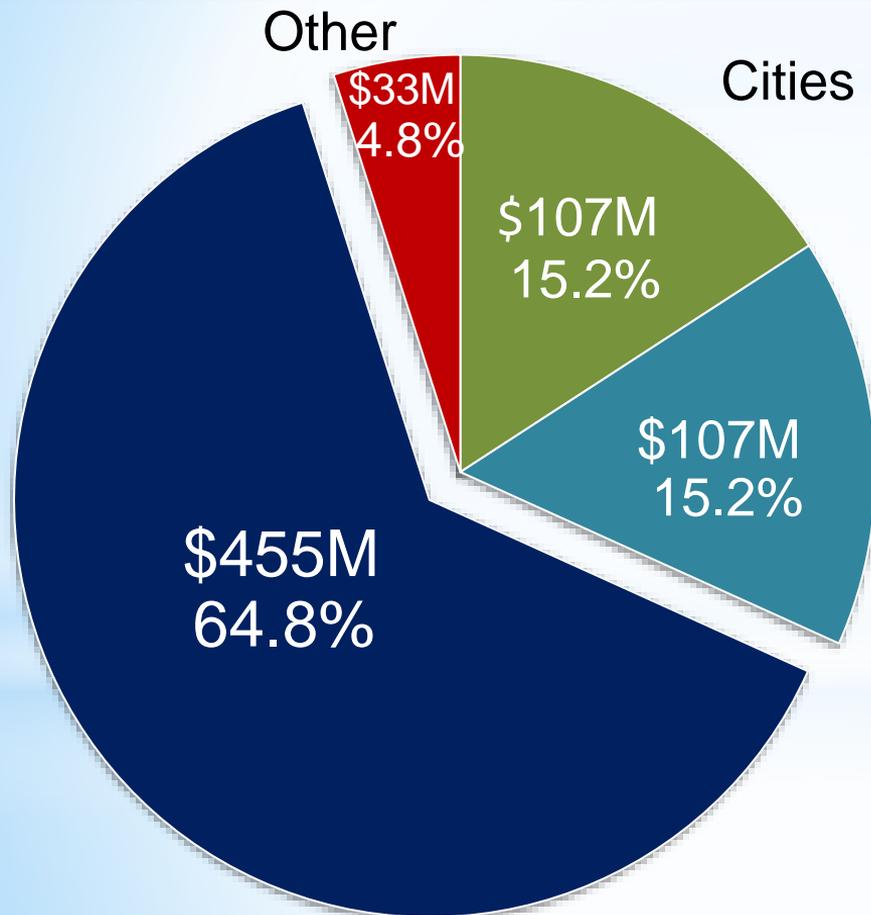
*License/Permit/Inspection Fees*

*Severance Taxes*

*Temporary Sales Tax Increase*



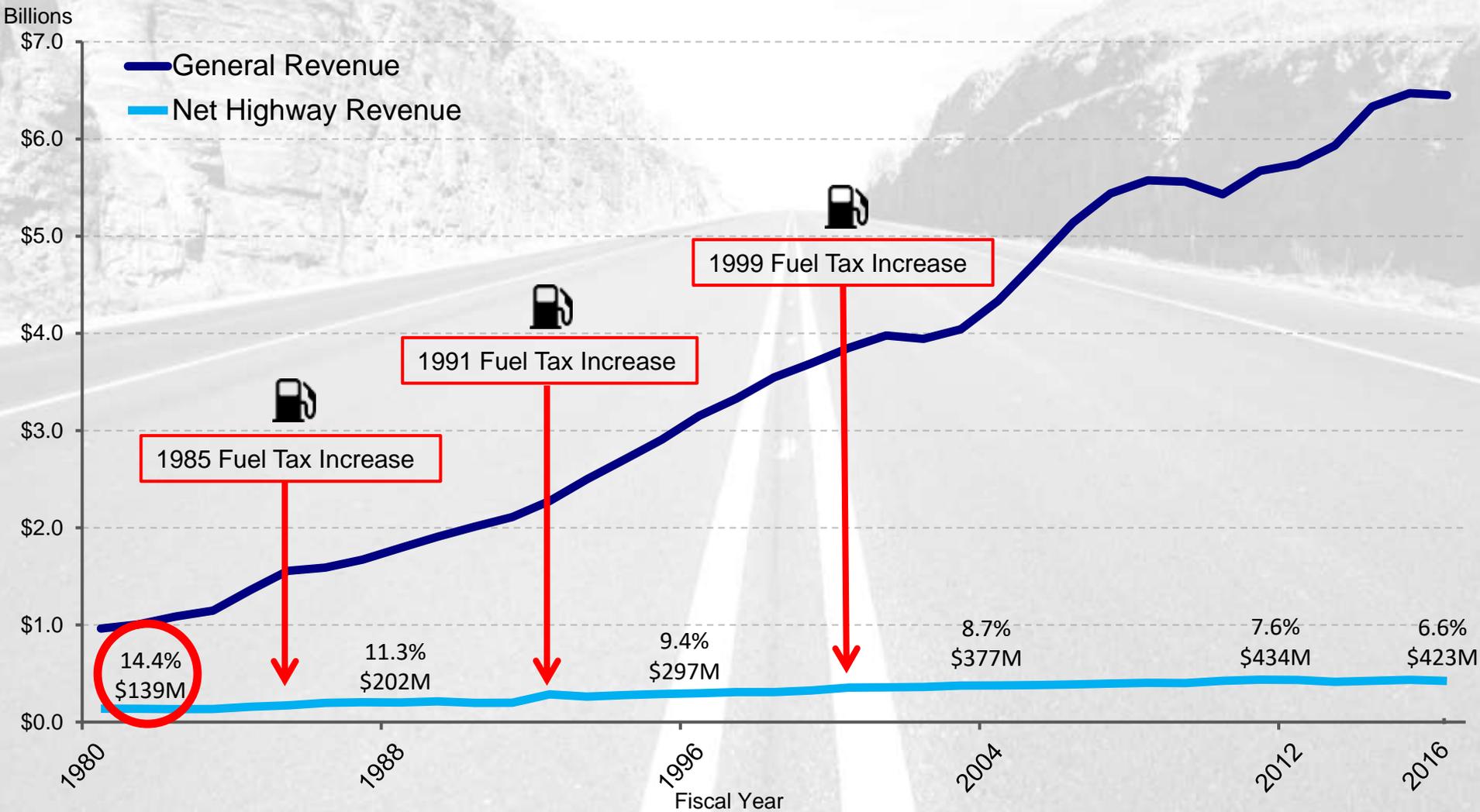
# Average Annual Highway User Revenue Distribution



Counties

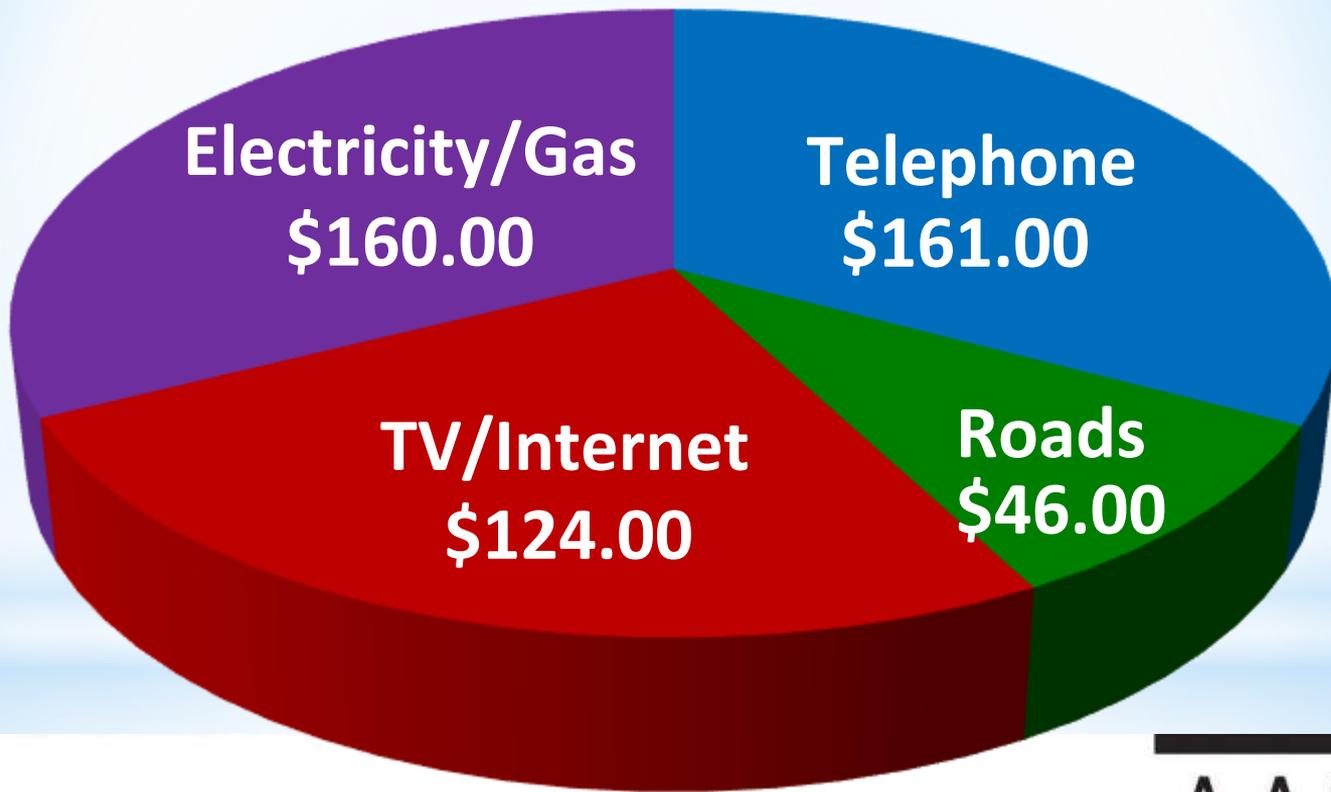


\*Constitutional & Fiscal Agencies and Non-Highway Uses.  
**Note:** May not add due to rounding



Excludes County & City Aid funds | Excludes CAP funds

# Average Monthly Household Expenditures



# SIGNIFICANT LOSS OF PURCHASING POWER

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

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

Sources: U.S. Census Bureau, U.S. Department of Transportation, U.S. Postal Service, U.S. Department of Commerce, U.S. Department of Education, National Association of Theater Owners

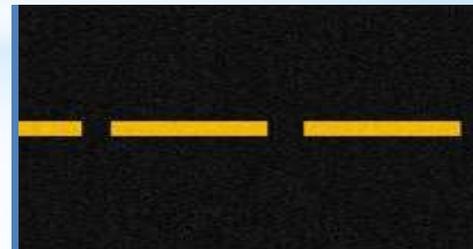
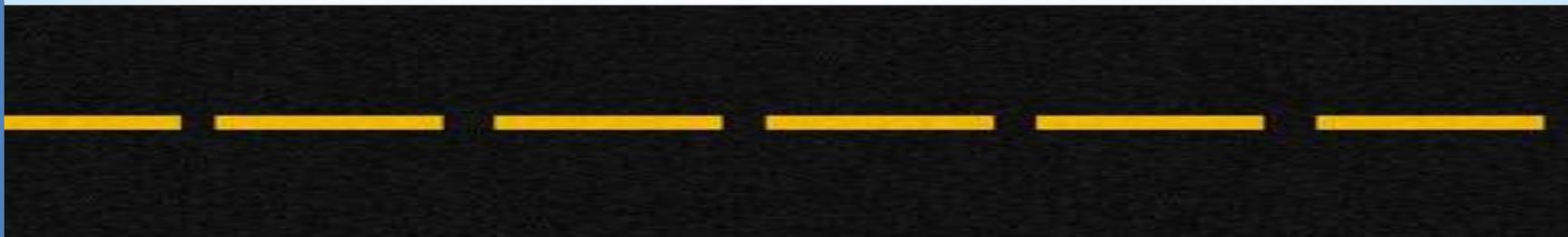


## THEN

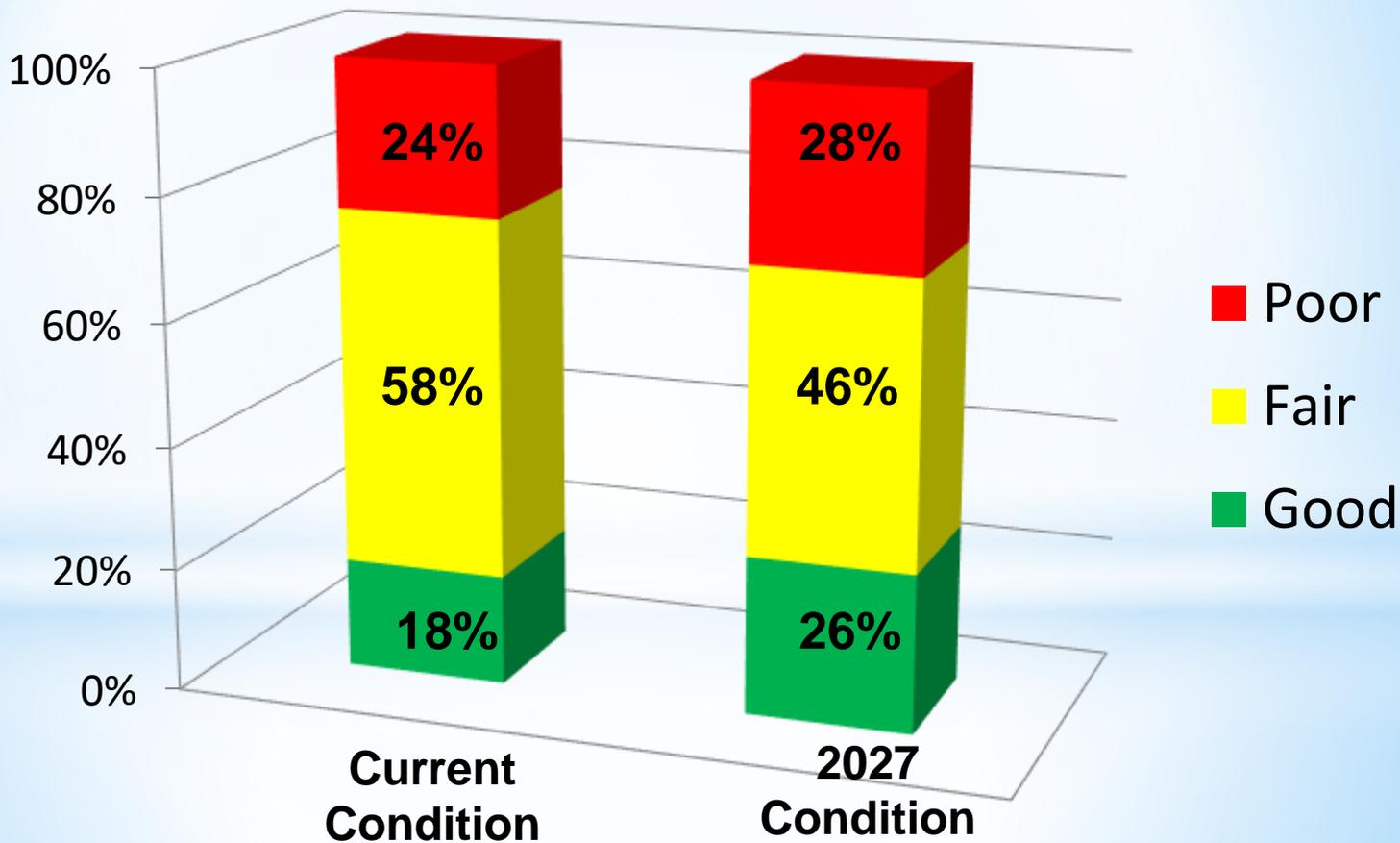
23 years ago, in 1995,  
**200 miles** of Highway could be overlaid.

## NOW

As of 2017, using the same resources, only  
**54 miles** of Highway could be overlaid.



# All State Highways – Including Interstates



## 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



**APPROVED**

- Reissue GARVEE Bonds for Interstate Rehabilitation Program

**APPROVED**

- State Aid Program for Cities

**APPROVED**

- 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**

## □ 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.





# Actual Compared to Projected

## Act 1 - Arkansas Highway Improvement Plan of 2016

	FFY16	FFY17	FFY18	FFY19	FFY20
	(x \$1 M)				
<b>2016 Special Session</b>					
Long Term Reserve Fund or Arkansas Rainy Day Fund	40.0	20.0	21.9		
Securities Reserve Fund	1.5	1.7	20.0	? 20.0	? 20.0
Redirect the \$4 Million of the Diesel Tax that goes to General Revenue to Highways (70/30 split)		0	2.7	2.7	2.7
Eliminate the State Central Services Deduction from 1/2 Cent Sales Tax (70/30 split)		5.4	5.8	5.4	5.4
Allocate up to 25% of Future GR Surplus to Highways		3.9	0	?	?
<b>Total Received</b>	<b>41.5</b>	<b>31.3</b>	<b>50.4</b>	<b>?</b>	<b>?</b>
<b>Total Projected</b>	<b>41.5</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>
<b>Difference</b>	<b>0</b>	<b>(44.8)</b>	<b>(25.7)</b>	<b>?</b>	<b>?</b>

## 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.



## Exhibit III

### Arkansas Department of Transportation (ARDOT) Summary of Annual State Funds Needed to Meet Proposed Highway Construction Plan Over a 10-Year Period

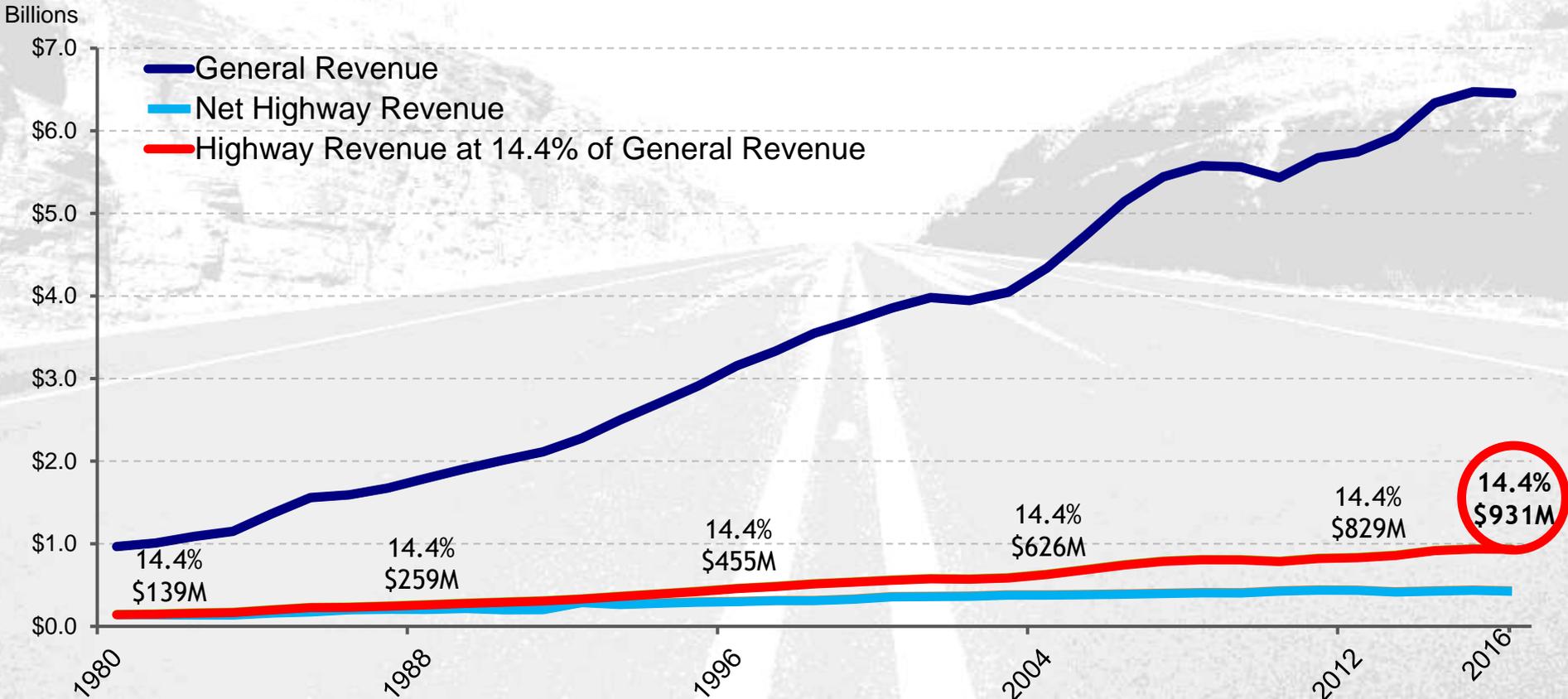
Description	Annual Funds Needed for Highway Construction Plan	Annual Funds Available for Highway Construction	Additional Annual State Revenues Needed for Highway Construction Plan
System Preservation			
Pavement	\$ 387,000,000	\$ 137,000,000	\$ 250,000,000
Bridges	117,000,000	90,000,000	27,000,000
Total System Preservation	<u>504,000,000</u>	<u>227,000,000</u>	<u>277,000,000</u>
Capacity Relief	<u>305,000,000</u>	<u>157,000,000</u>	<u>148,000,000</u>
Safety Improvements	<u>86,000,000</u>	<u>44,000,000</u>	<u>42,000,000</u>
Maintenance			
Equipment upgrades	19,000,000	19,000,000	
Facilities upgrades	8,000,000		8,000,000
Intelligent Transportation System (ITS)	3,000,000		3,000,000
Total Maintenance	<u>30,000,000</u>	<u>19,000,000</u>	<u>11,000,000</u>
<b>Totals</b>	<b><u>\$ 925,000,000</u></b>	<b><u>\$ 447,000,000</u></b>	<b><u>\$ 478,000,000</u></b>

Note: Amounts shown are rounded.

**\$ 478,000,000**



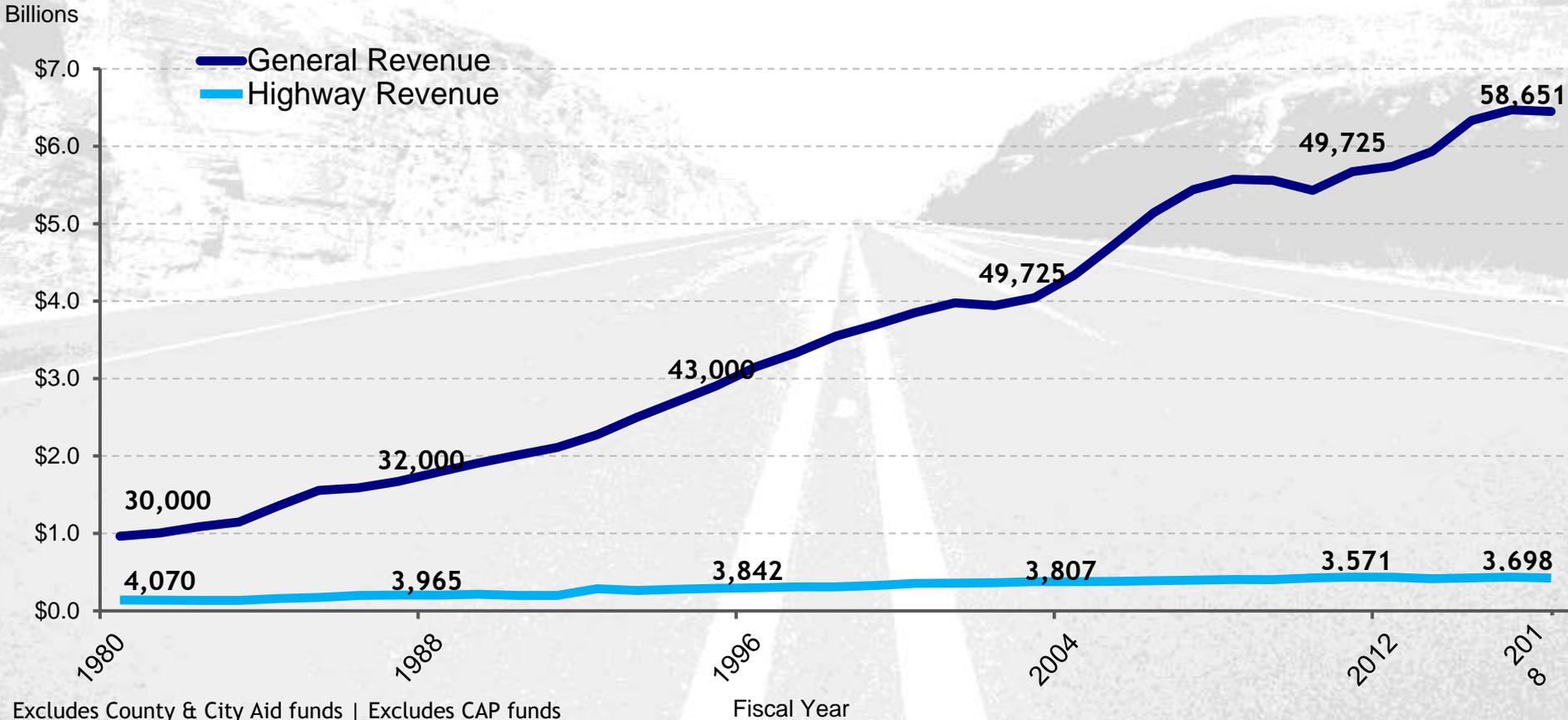
# Highway Revenue at 14.4% of General Revenue



Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

# Highway vs. General Revenue Compared to Employment Levels





# Opportunities

# 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

Source	\$400 Million for Highways <sup>(1)</sup>
Fuel Tax	28.4¢
Sales Tax on Fuel (wholesale)	16.67%
Registration Fee	\$208
General Sales Tax <sup>(2)</sup>	1.16%

<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

## 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

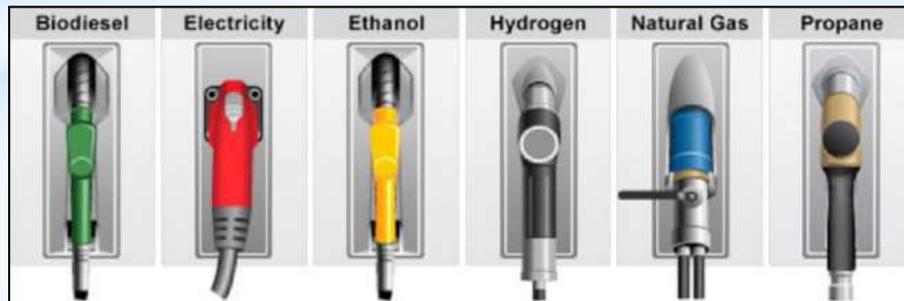
Complex

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

	<u>Total Spent</u>	<u>Principal</u>	<u>Interest</u>
<b>IRP</b>	\$ 762.5 million	\$ 575.0 million	\$ 187.5 million
	<b>Interest as a percentage of total cost</b>		<b>24.60%</b>
	<u>Total Spent</u>	<u>Principal</u>	<u>Interest</u>
<b>CAP</b>	\$ 620.2 million	\$ 468.9 million	\$ 151.3 million
	<b>Interest as a percentage of total cost</b>		<b>24.39%</b>

# Citizens Opinion Survey

**CITIZENS OPINION SURVEY**  
ON HIGHWAYS IN ARKANSAS

MAIL OR EMAIL RESPONSES TO  
AR/DOT  
Public Information  
P.O. Box 2281  
Little Rock, AR 72203  
info@arkdot.gov

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 \_\_\_\_\_

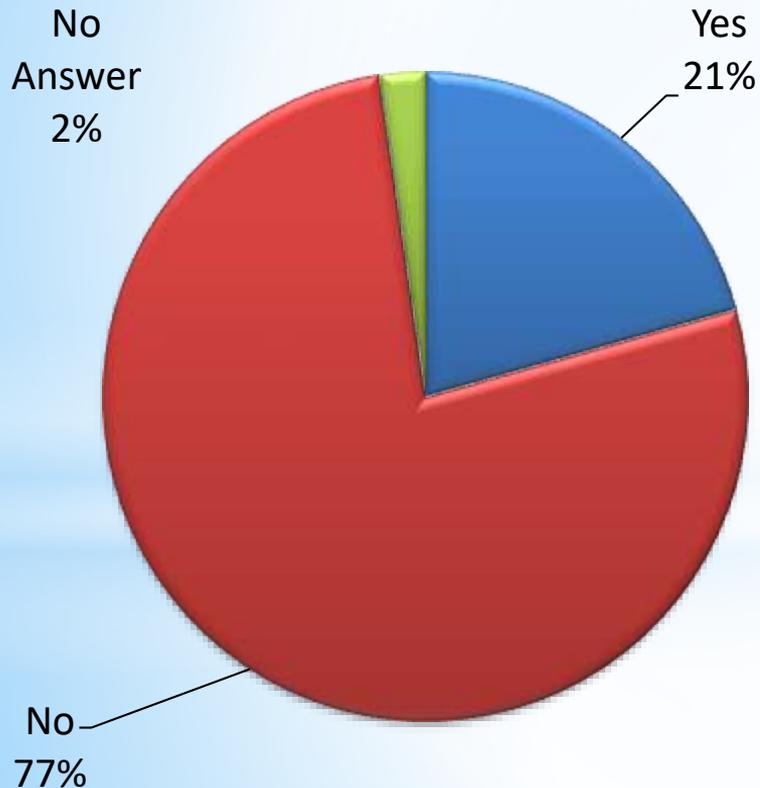
Optional: [Online Form Available Here!](#)

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City, State, Zip: \_\_\_\_\_

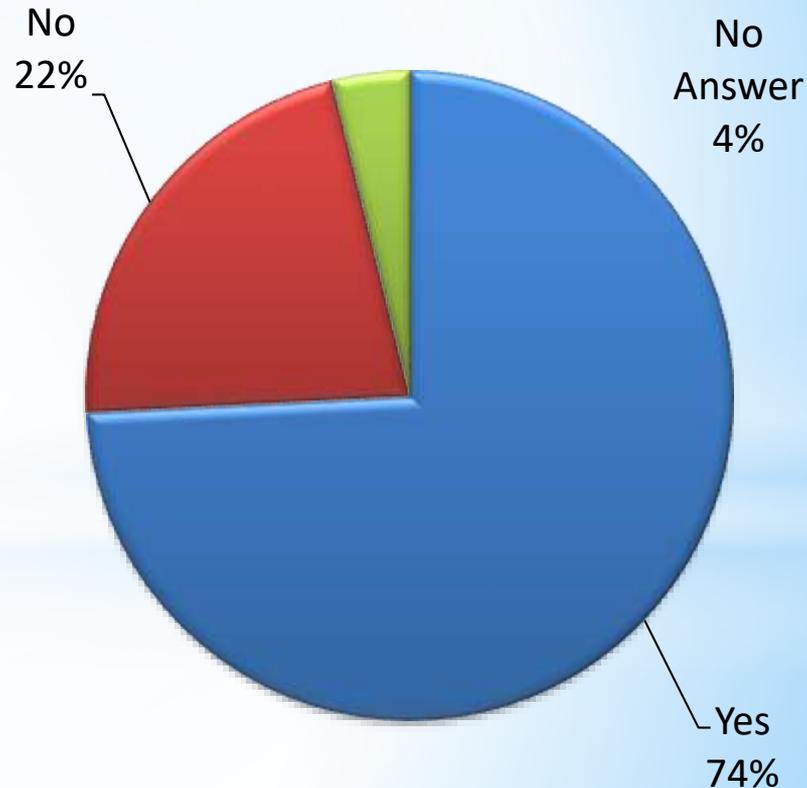



# Survey Results

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

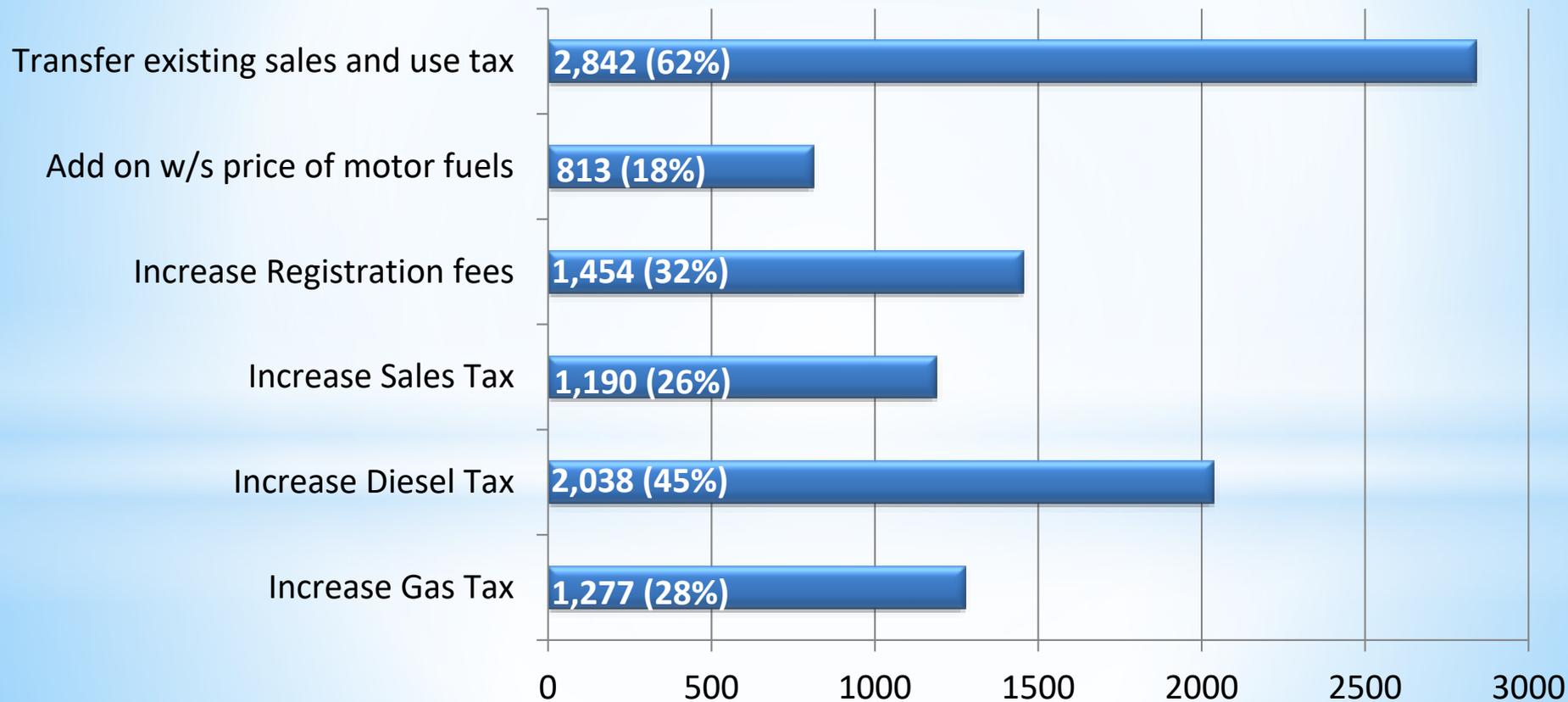


Would you support a new highway program that would generate additional revenue?



# Survey Results

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



## Total Road User Revenue

**\$1,076.5 Million**

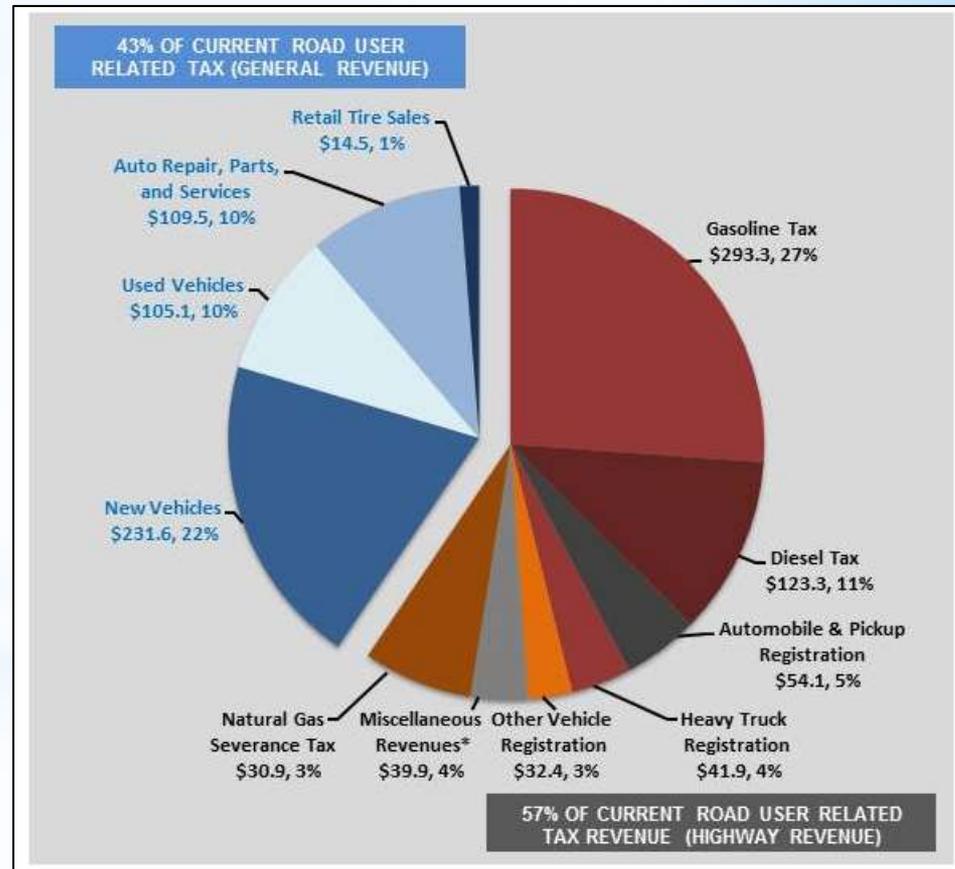
## Distribution:

### General Revenue

**\$460.7 Million (43%)**

### Highway Revenue

**\$615.9 Million (57%)**







Questions?

- ARDOT.gov
- ConnectingArkansasProgram.com
- Vimeo.com/myARDOT
- IDriveArkansas.com
- Twitter.com myARDOT



@myARDOT

