

Scott E. Bennett, P.E.  
Director



# Road User Revenues

A vertical stack of US dollar bills, including \$100 and \$20 bills, is visible on the left side of the slide.

# Current Hwy. Funding Sources

## State

*Per-Gallon Motor Fuel Taxes*

*Vehicle Registration Fees*

*License/Permit/Inspection Fees*

*Severance Taxes*

*Temporary Sales Tax Increase*

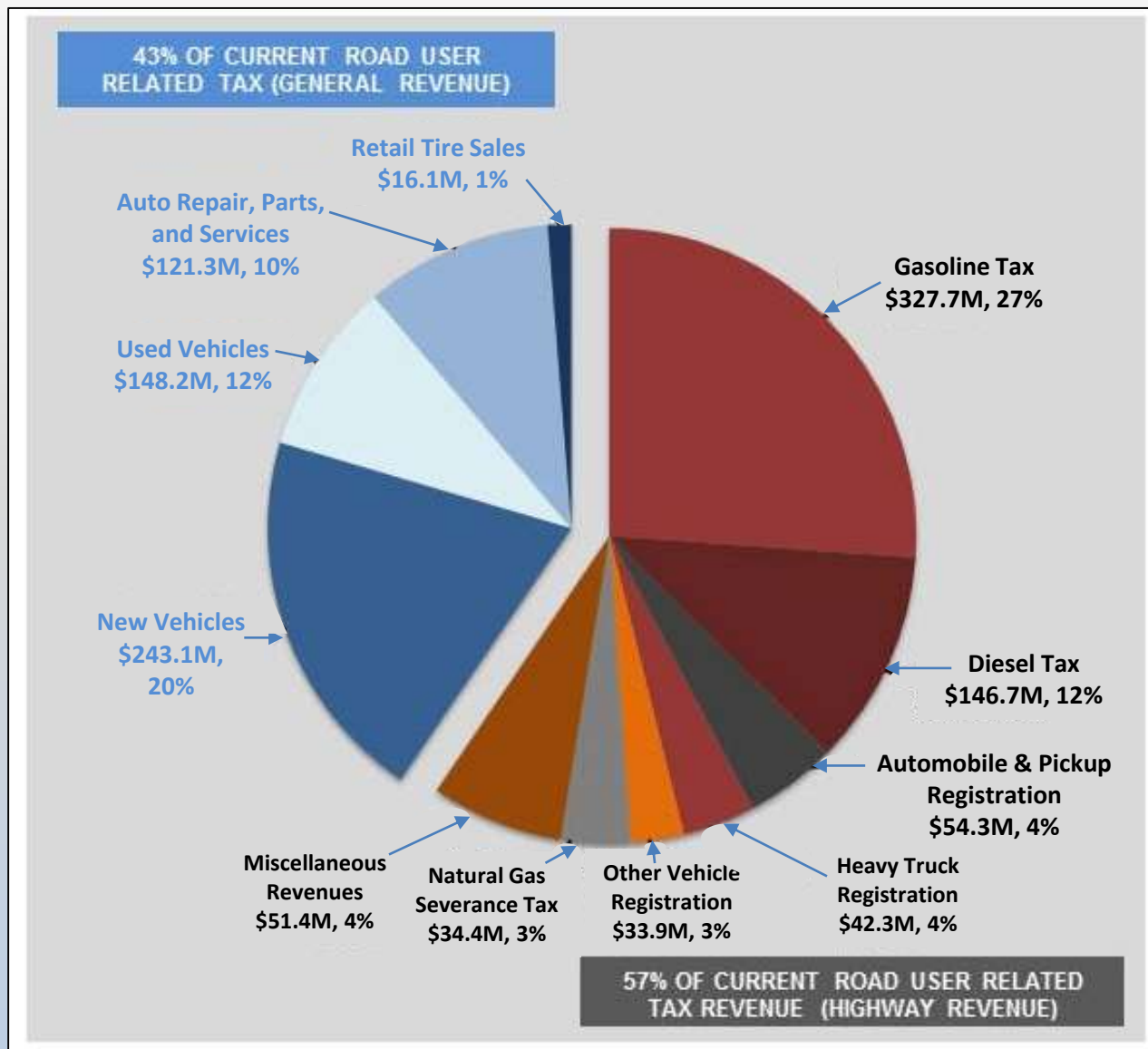


**Total Road User Revenue**  
**\$1.219 Billion**

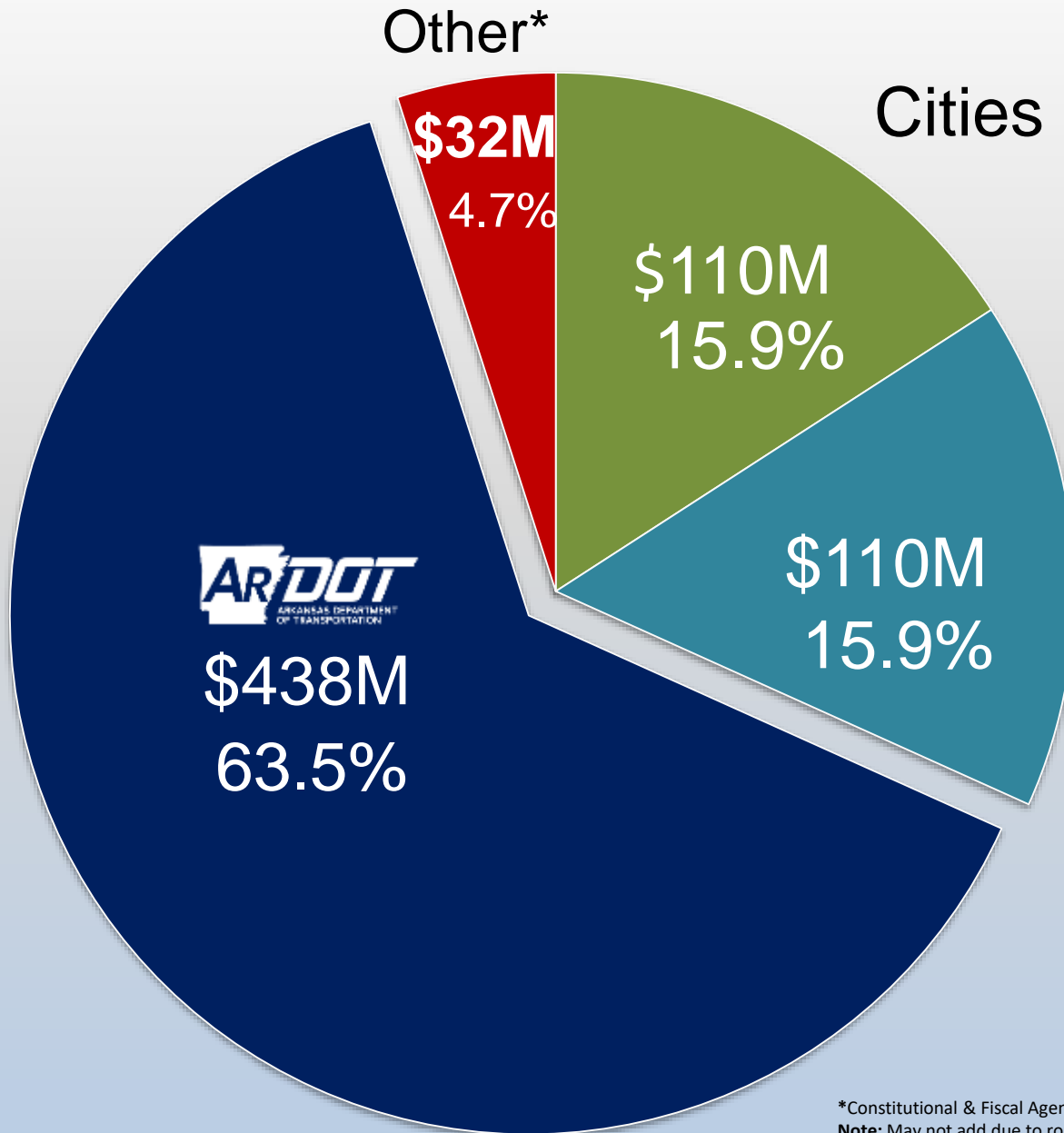
**Distribution:**

**General Revenue**  
**\$528.7 Million (43%)**

**Highway Revenue**  
**\$690.7 Million (57%)**



# Average Annual Highway User Revenue Distribution

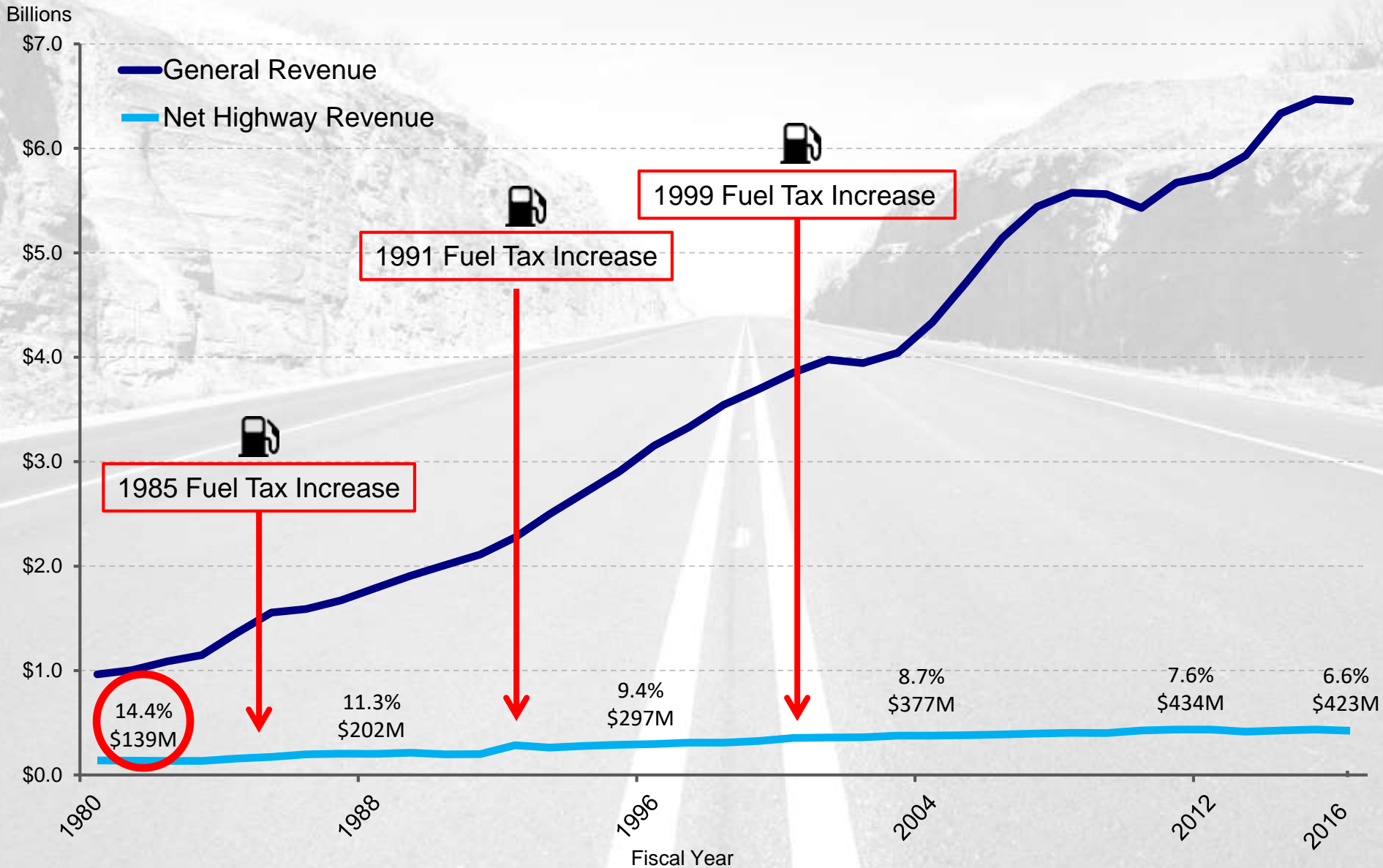


Counties



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

# Percent of Highway vs. General Revenue



Excludes County & City Aid funds | Excludes CAP funds



# Revenue Transfer:

## *A Brief History*

ARKANSAS  
HIGHWAY NEEDS AND FINANCES  
1979 to 1989  
FOR  
STATE HIGHWAYS, COUNTY ROADS  
AND CITY STREETS

A REPORT TO:  
THE ARKANSAS HIGHWAY NEEDS STUDY COMMITTEE,  
ARKANSAS LEGISLATIVE COUNCIL

SEPTEMBER, 1979

BY:  
R. J. HANSEN ASSOCIATES, INC.,  
8110 Executive Boulevard  
Rockville, Maryland 20852



**Blue Ribbon**  
Committee  
on Highway Finance  
[BlueRibbonHighways.com](http://BlueRibbonHighways.com)

## FINAL REPORT

December 1, 2010

Presented to:

The Honorable Mike Beebe, Governor  
House Interim Committee on Public Transportation  
Senate Interim Committee on Transportation, Technology and Legislative Affairs  
House Interim Committee on Revenue and Taxation  
Senate Interim Committee on Revenue and Taxation  
Arkansas Legislative Council  
Arkansas State Highway Commission  
Association of Arkansas Counties  
Arkansas Municipal League

## 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 Duncan Baird, State Budget Administrator  
Tori B. Gordon, Policy Advisor, Office of Governor Asa Hutchinson

*“There are relatively few, if any, acceptable new state-level revenue sources for funding highways, roads, and streets... One of the more significant revenue sources being used by other states for revenue purposes includes **the gross receipts or sales tax on new and used motor vehicles sales...**”*







“... 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  
on Highway Finance  
[BlueRibbonHighways.com](http://BlueRibbonHighways.com)

- Reissue GARFIELD Bonds for Interstate Rehabilitation Program
- State Aid Programs for Cities
- Temporary One Percent General Sales Tax to Fund 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

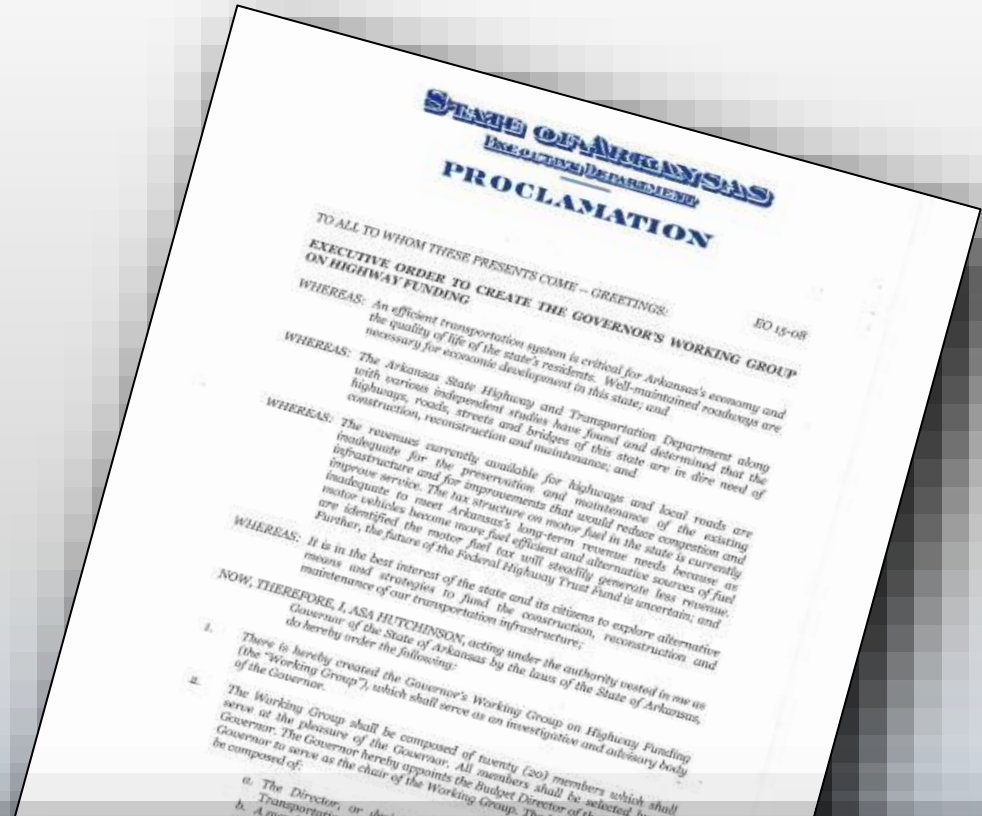
### Transferred sales tax on new and used vehicles to the Highway

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**

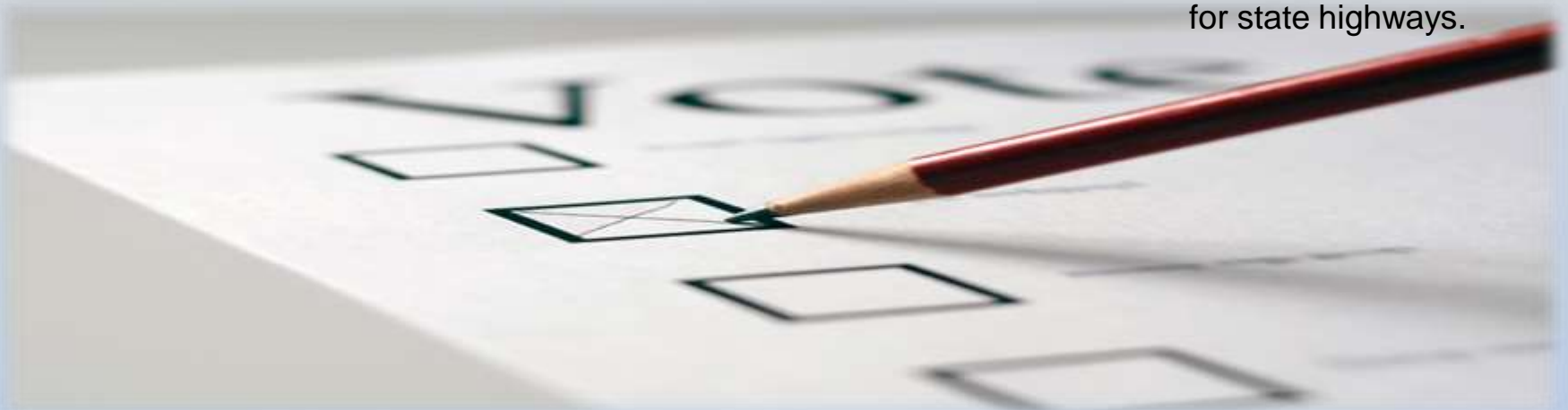


**“An efficient transportation system is critical for Arkansas’ economy and the quality of life of the state’s residents.”**

## □ 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 of new revenue for state highways.



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WORKING GROUP  
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Short-Term Recommendation



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# 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.



*...the figures [for highway needs] often total to amounts that are considerably in excess of current legislative provisions. This often has resulted in **legislators apparently doubting the realism of the figures...**"*



Report Released  
August 31, 2017

## Special Report Arkansas Legislative Audit

### Review of Sources and Uses of Funds

Arkansas Department of Transportation

For the Period July 1, 2009 through June 30, 2016 and  
Projected for Fiscal Years 2017 through 2020



#### INTRODUCTION

This report is presented in response to a request for Arkansas Legislative Audit (ALA) to review information, estimates, and calculations provided by the Arkansas Department of Transportation (ARDOT), formerly known as the Arkansas State Highway and Transportation Department, related to highway funding. ARDOT has indicated that additional state funding is needed to fully maximize available federal funds and to expand non-federal construction and maintenance projects.

#### OBJECTIVES

The objectives of this report were to:

1. Provide information regarding state funding sources and uses for highways, with associated construction and maintenance costs, for prior years.
2. Determine the amount of matching funds needed annually in order for ARDOT to receive the maximum federal aid available.
3. Determine the amount of additional state revenues needed to fund ARDOT's proposed construction and maintenance program for roads and facilities.
4. Provide a history of bond issuances, including balances and associated costs.

#### SCOPE AND METHODOLOGY

This report was prepared by reviewing activities for state fiscal years ended June 30, 2010 through 2016, and projections and estimates for federal fiscal years ending September 30, 2017 through 2020. ALA staff reviewed audit reports from prior years, particularly revenues and expenditures related to construction, and determined future federal funding from reports obtained from the Federal Highway Administration. All information for additional construction and maintenance projects was provided by ARDOT and tested for accuracy and reasonableness by ALA staff.

The methodology used in preparing this report was developed uniquely to address the stated objectives; therefore, this report is more limited in scope than an audit or attestation engagement performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

#### BACKGROUND

ARDOT recognizes revenues from both federal and state sources. State revenues include motor fuel taxes, registration fees, natural gas severance fees, and overload permits and penalties. Many highway construction projects are funded with both federal and state monies. The percentage of state participation in these projects varies depending on the federal program involved, but most programs require a 20% match.

#### ARKANSAS LEGISLATIVE AUDIT

500 Woodlane Street, Suite 172, Little Rock, AR 72201

Phone: 501-683-8600 • Fax: 501-683-8605

[www.arklegaudit.gov](http://www.arklegaudit.gov)

Report ID: SPSA02516

Report Date: 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

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	504,000,000	227,000,000	277,000,000
Capacity Relief	305,000,000	157,000,000	148,000,000
Safety Improvements	86,000,000	44,000,000	42,000,000
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	30,000,000	19,000,000	11,000,000
<b>Totals</b>	<b>\$ 925,000,000</b>	<b>\$ 447,000,000</b>	<b>\$ 478,000,000</b>

Note: Amounts shown are rounded.

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**\$ 925,000,000**

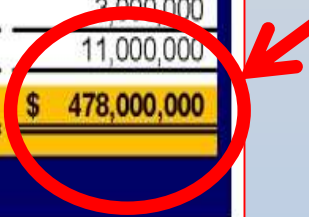
**Does Not Include  
Capital Improvement  
Projects**

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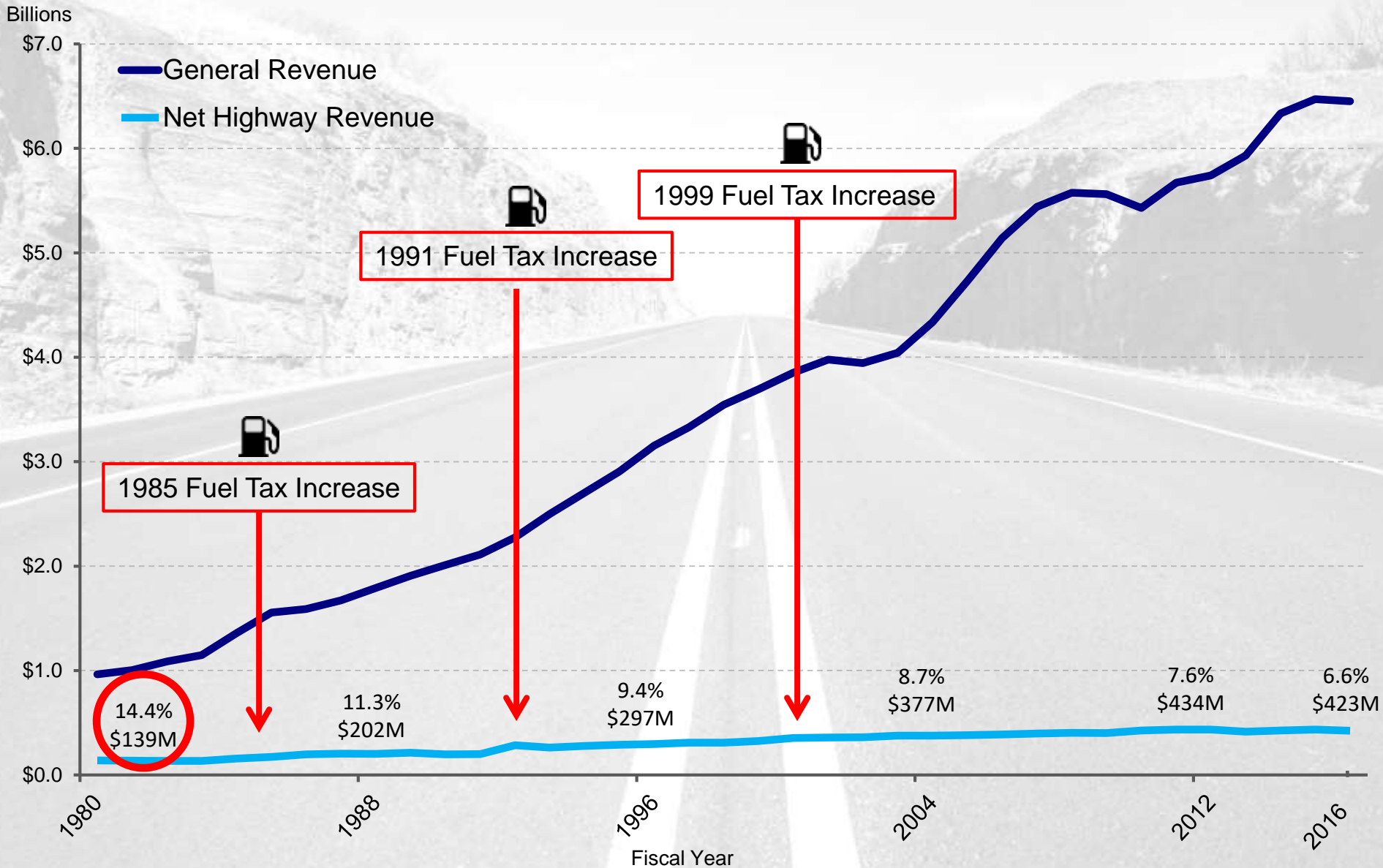
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**\$ 478,000,000**



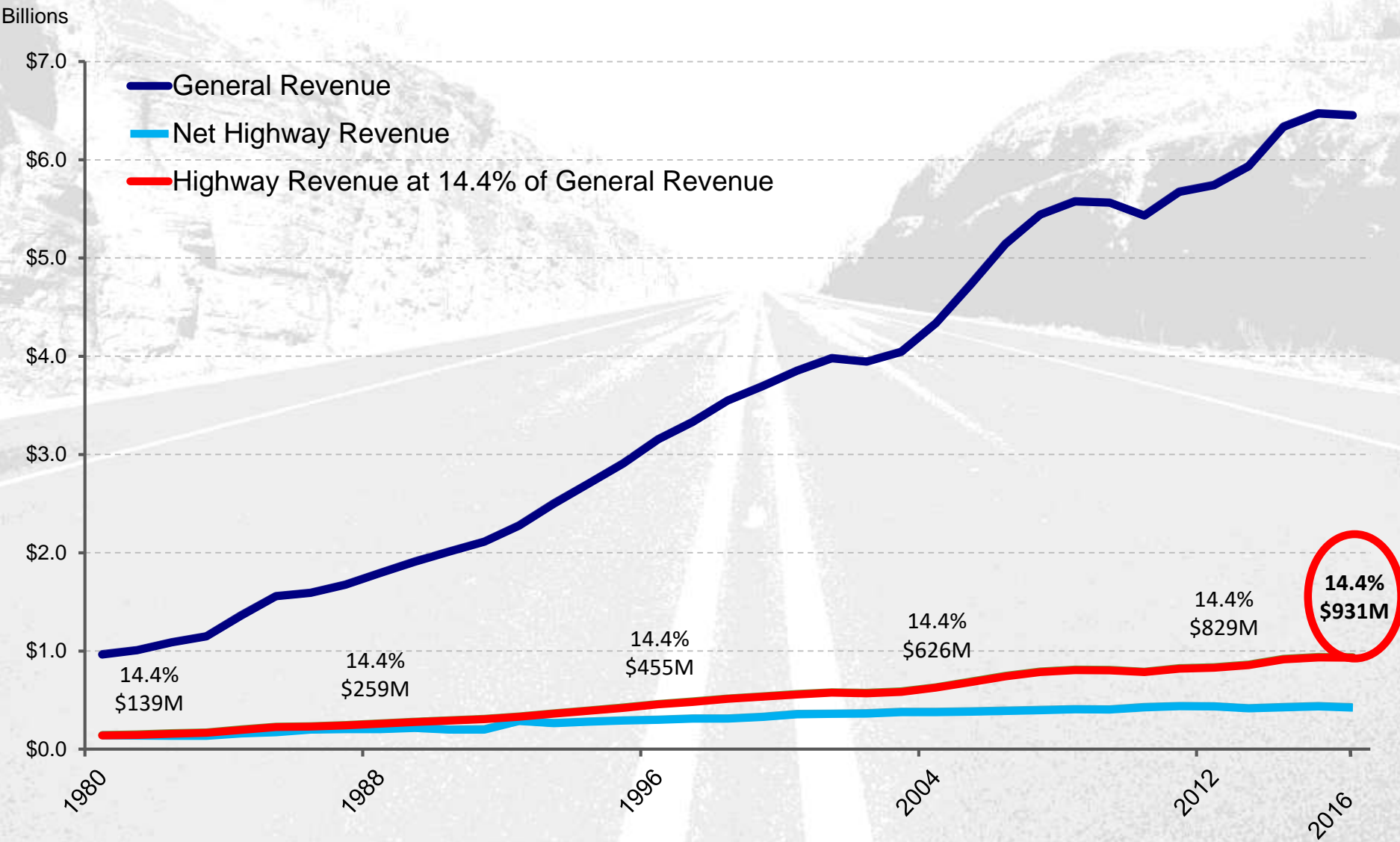
Note: Amounts shown are rounded.

# Percent of Highway vs. General Revenue



Excludes County & City Aid funds | Excludes CAP funds

# Highway Revenue at 14.4% of General Revenue



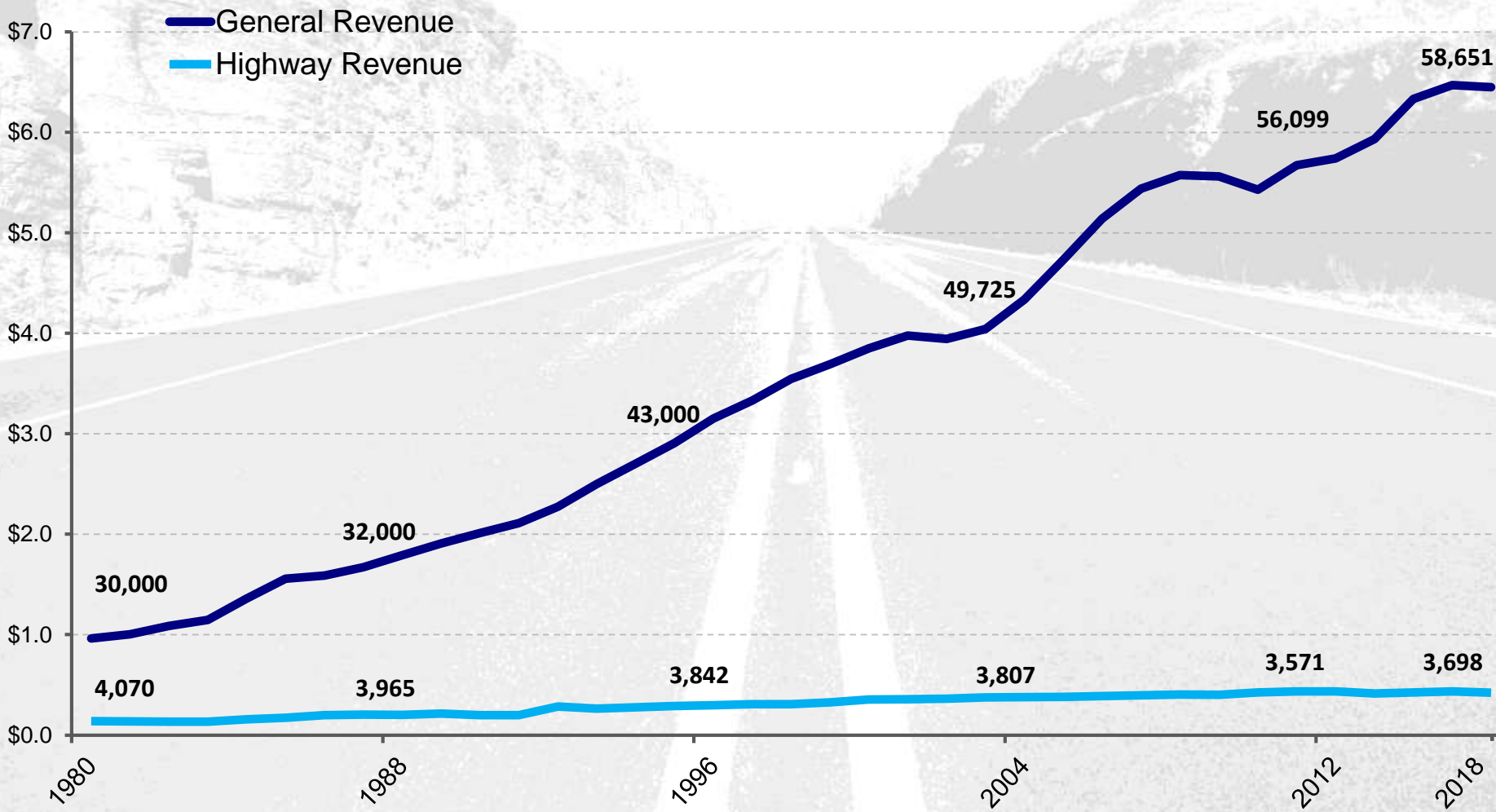
Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year



# Highway vs. General Revenue Compared to Employment Levels

Billions



Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

# Benefits of Increased Highway Funding

- **Immediate Economic Benefits of Increasing Investment**

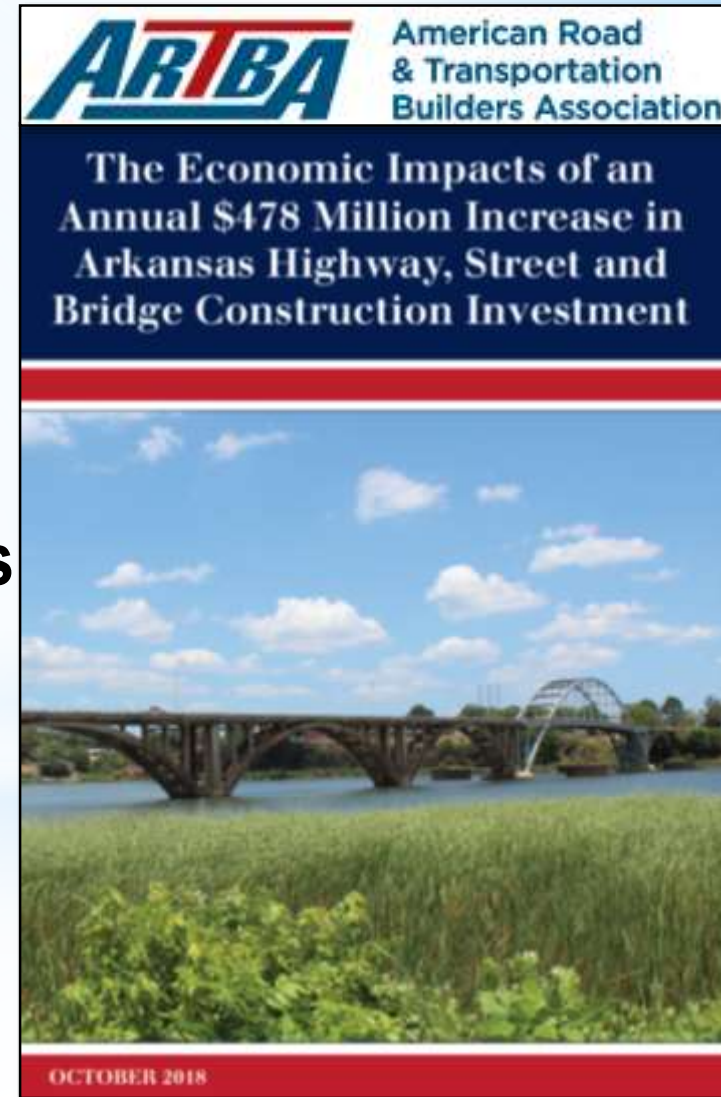
- ✓ Supports **\$1.3 Billion** in Economic Activity
- ✓ Supports **5,729 Jobs**

- **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





# Future Funding?





# 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)

# Citizens Opinion Survey

## CITIZENS OPINION SURVEY ON HIGHWAYS IN ARKANSAS

MAIL OR EMAIL RESPONSES TO:  
 ARDOT  
 Public Information  
 P.O. Box 2261  
 Little Rock, AR 72203  
[info@ardot.ar.gov](mailto:info@ardot.ar.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

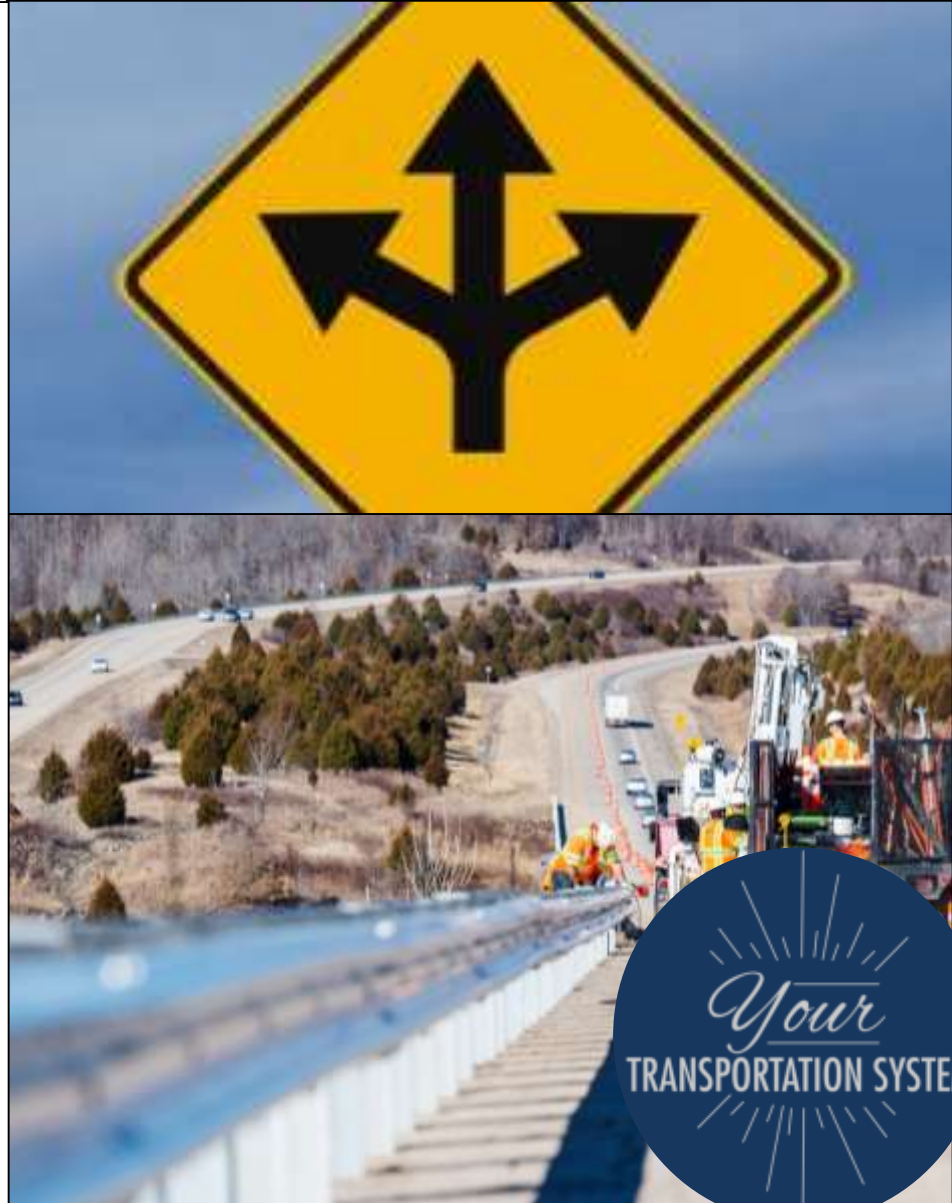
How did you hear about this survey?

- Presentation
- Social Media
- Other: \_\_\_\_\_
- TV/Radio/Print
- Family or Friend
- Website/Search Engine

Optional:

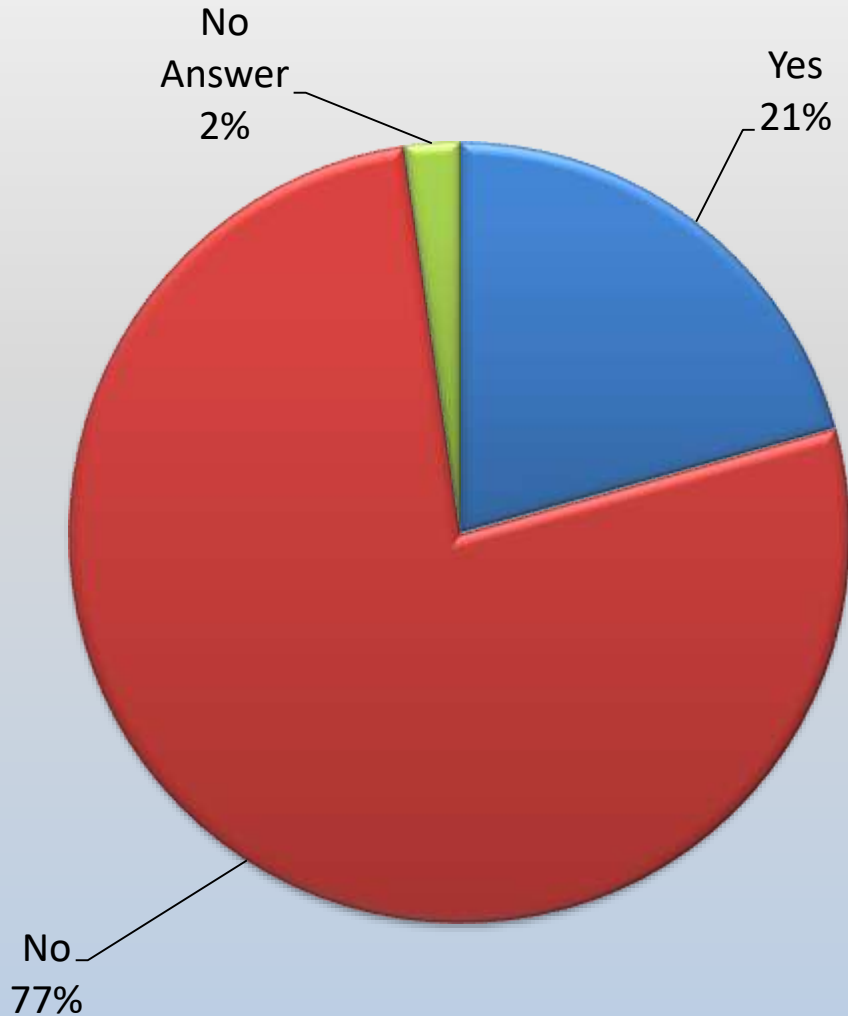
Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City, State, Zip: \_\_\_\_\_

Online Form Available Here:

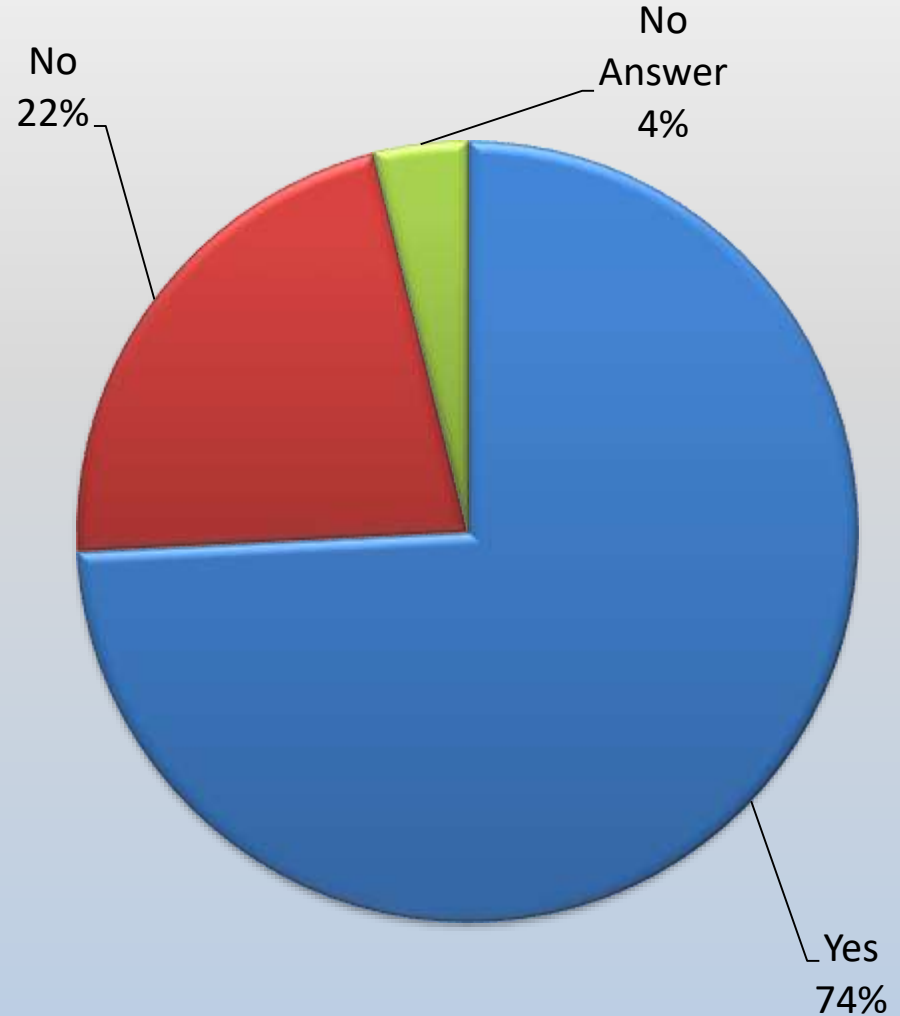


# Survey Results

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

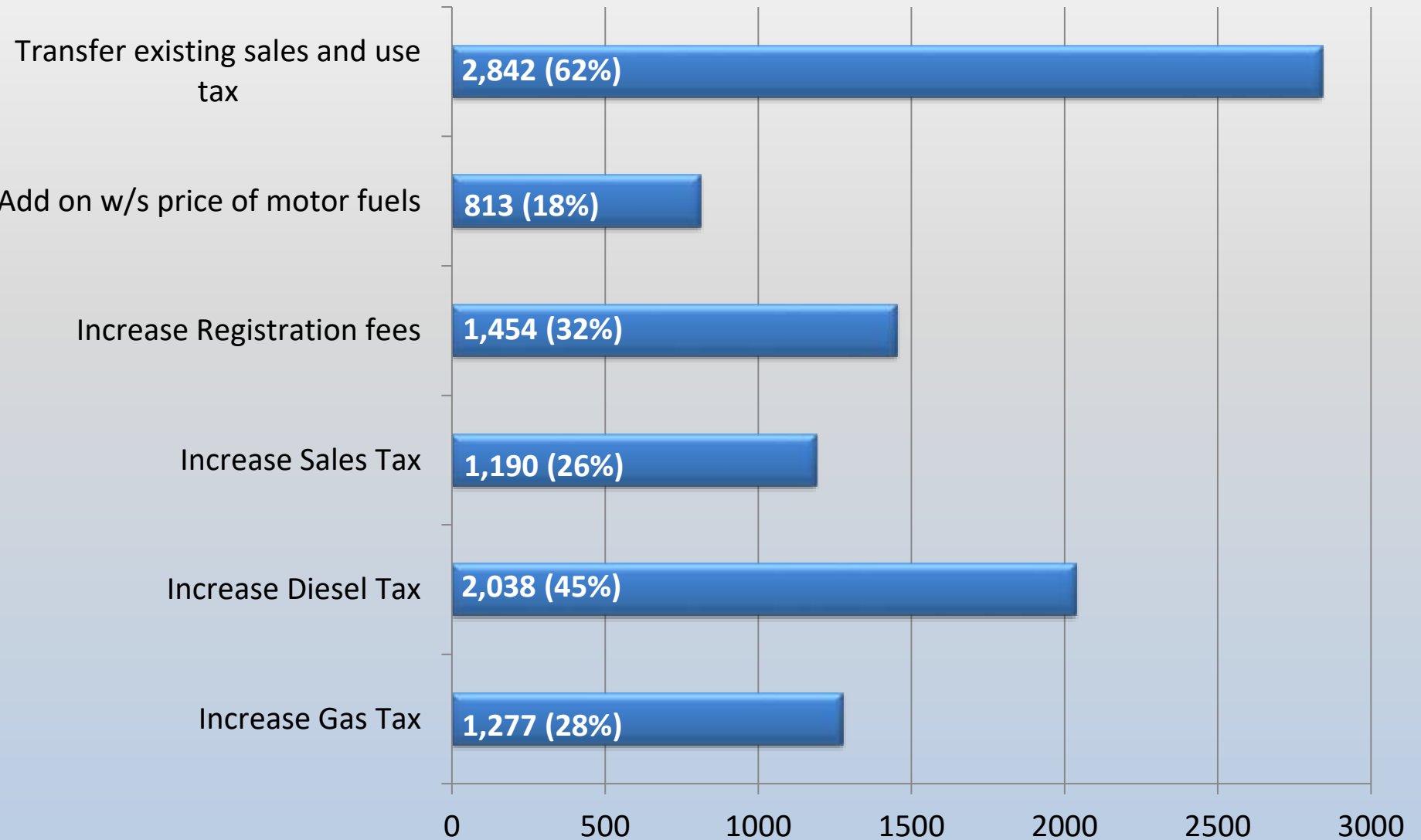


Would you support a new highway program that would generate additional revenue?



# Survey Results

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







Questions?



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



@myARDOT

