

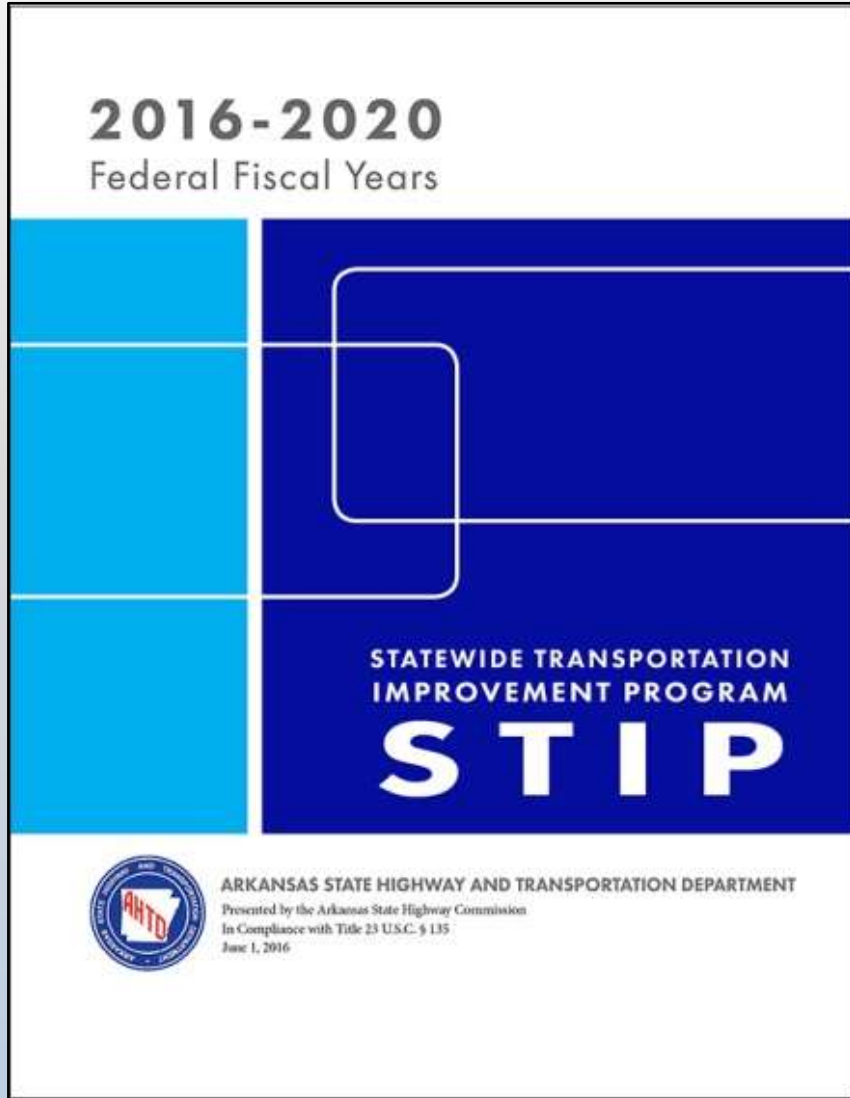
Kevin Thornton, P.E.

Assistant Chief Engineer - Planning



Wednesday, May 30, 2018

Statewide Transportation Improvement Program



- **Statewide Transportation Improvement Program (STIP)**
- Federal Requirement
- Financial Constraint
- Development Supports:
 - ✓ Public Transparency
 - ✓ Sound Financial Planning
 - ✓ Efficiency of Oversight
 - ✓ Consultation with Transportation Planning Partners

Statewide Transportation Improvement Program

Arkansas State Highway Needs

Annual Needs Next 10 Years Versus Annual Revenue Available Through 2020		
System Preservation		
	Pavement	\$387,000,000
	Bridges	\$117,000,000
	Total System Preservation	\$504,000,000
Capacity Improvements for Congestion Relief		\$305,000,000
Safety Improvements		\$ 86,000,000
Maintenance		
	Equipment Upgrades	\$ 19,000,000
	Facilities Upgrades	\$ 8,000,000
	Intelligent Transportation Systems (ITS)	\$ 3,000,000
	Total Maintenance	\$ 30,000,000
Total Annual Funds Needed for Highway Construction Plan		\$925,000,000

Statewide Transportation Improvement Program

Arkansas State Highway Capital Improvement Goals

Identified Capital Improvement Projects	
Four Lane Grid System	\$ 12,697,000,000
New Location / New or Modified Interchanges	\$ 921,000,000
Other Major Widening	\$ 258,000,000
Grand Total	\$ 13,876,000,000

Statewide Transportation Improvement Program

Net Federal Funds (Est. Average Annual Revenue from FAST Act)..... \$ 535 million

State Highway Funds (Est. Avg. Annual Revenue 2016-2020)..... \$ 455 million

Total Federal and State Highway Funds..... \$ 990 million

Less Federal Funds for:

Fixed Budgeted Expenditures (Maintenance, Administration and Operations) \$30 million

Non-Construction Programs

Statewide Planning & Research \$11 million

Metropolitan Planning \$2 million

Surface Transportation Set Aside - Transportation Alternatives Program \$10 million

Surface Transportation Set Aside - Recreational Trails Program \$2 million

Right-of-Way, Utilities \$25 million

Obligation Limitation \$25 million

Total Reduction - Federal Funds (\$ 105) million

Less State Funds for:

Fixed Budgeted Expenditures (Maintenance, Administration and Operations) \$318.0 million

State Match for Non-Construction Programs (State Planning & Research) \$3.0 million

Total Reduction - State Funds (\$ 321) million

Less Federal and State Funds for IRP Commitment:

Federal Interstate Maintenance Funds \$58.0 million

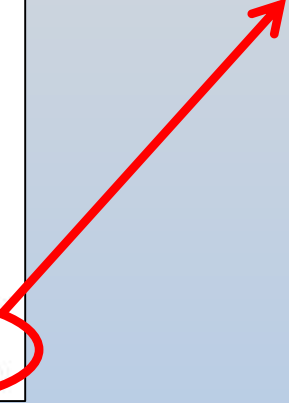
4¢ Diesel Fuel Tax \$17.0 million

Federal and State Funds to Supplement IRP \$42.0 million

Total Reduction - Federal and State Funds for IRP Commitment (\$ 117) million

Total Federal and State Funds Available for Highway Construction..... \$ 447 million

\$ 447,000,000



Arkansas Legislative Audit

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

Report ID: SPSA02516

Report Date: August 31, 2017



Presented to
Legislative Joint
Audit Committee in
September 2017

Arkansas 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

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
Totals	\$ 925,000,000	\$ 447,000,000	\$ 478,000,000

Note: Amounts shown are rounded.

\$ 925,000,000

**Does Not Include
Capital Improvement
Projects**

Arkansas State Legislative Audit

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\$ 478,000,000

Federal vs. State Funding

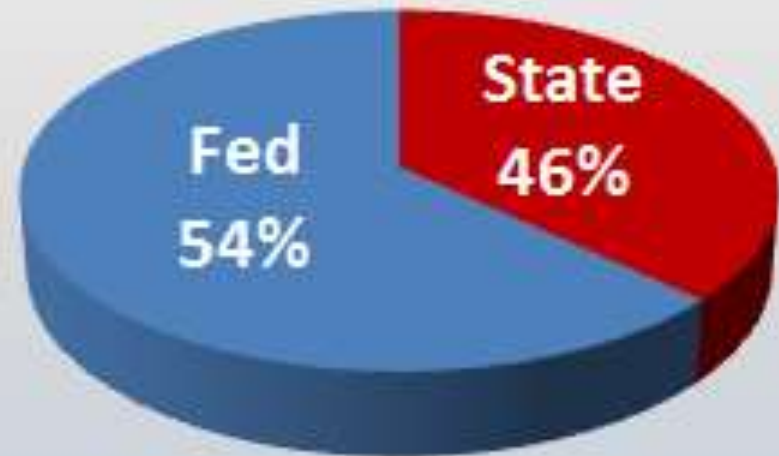
1993

Hwy. Funding Breakdown

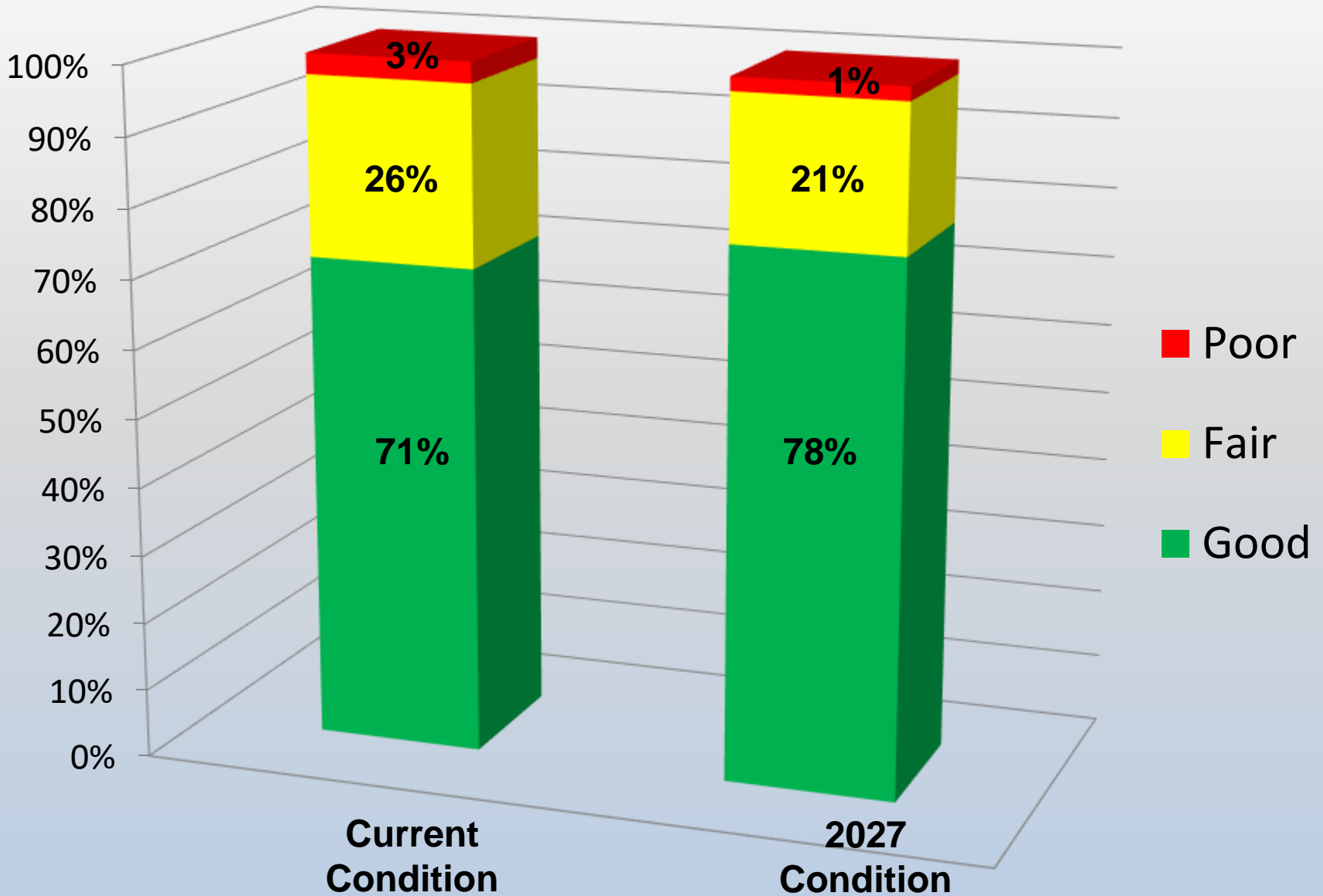


2016

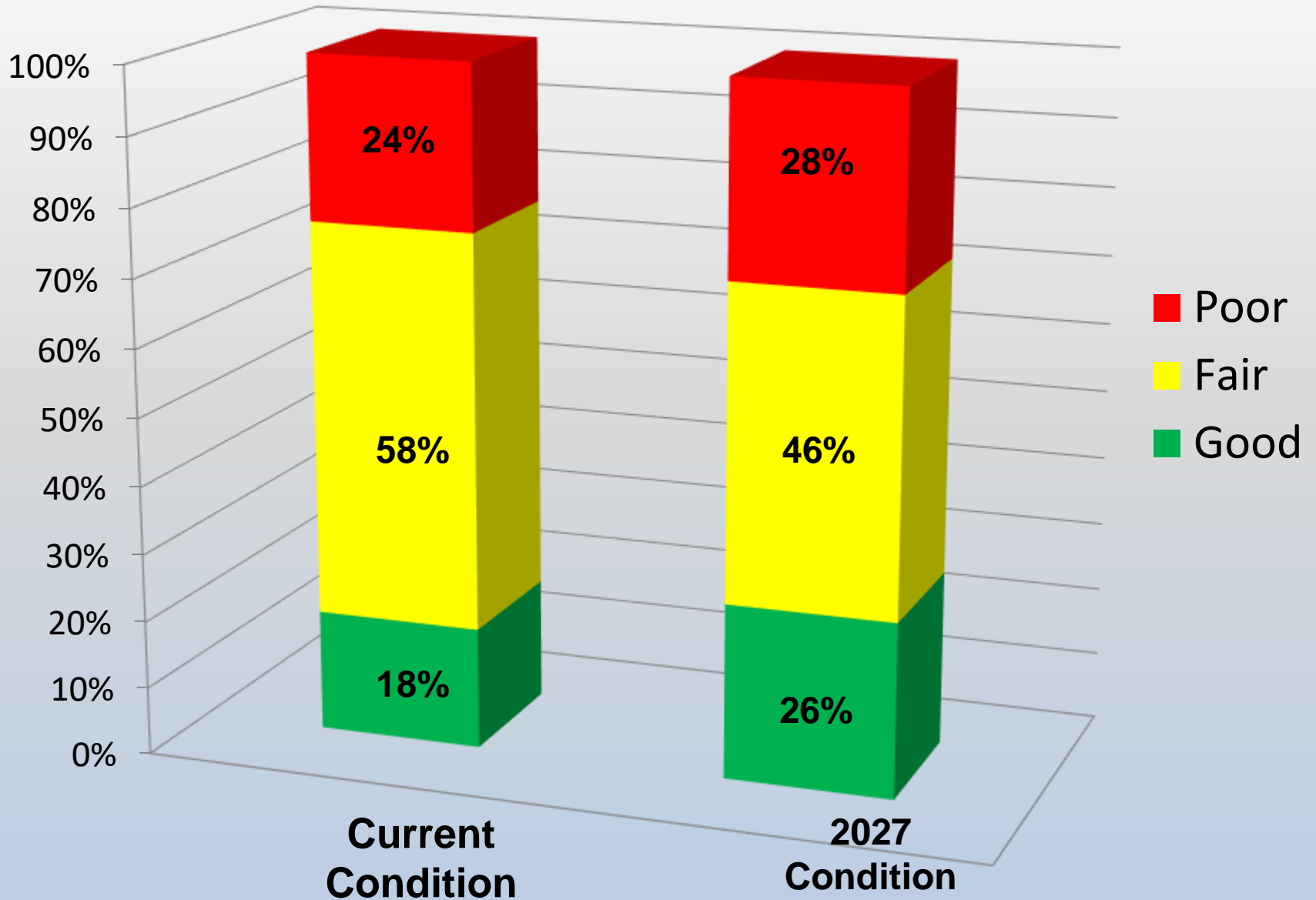
Hwy. Funding Breakdown



Interstates



All State Highways – Including Interstates



Pay a **Little** Now



Overlay
\$100,000
per lane mile

Pay a **Whole Lot** Later

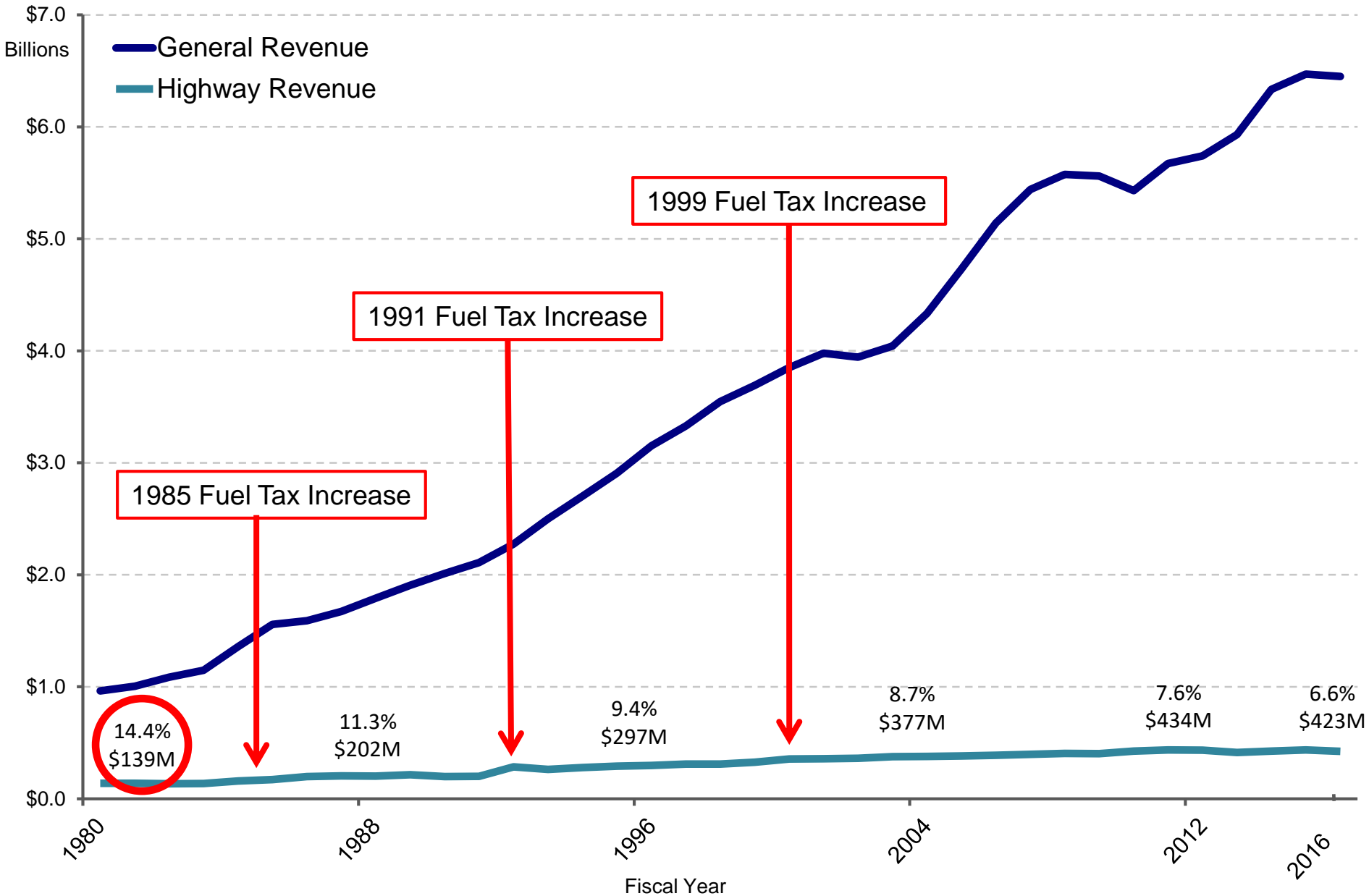


Reconstruction
\$1,500,000
per lane mile

Status of State Funding

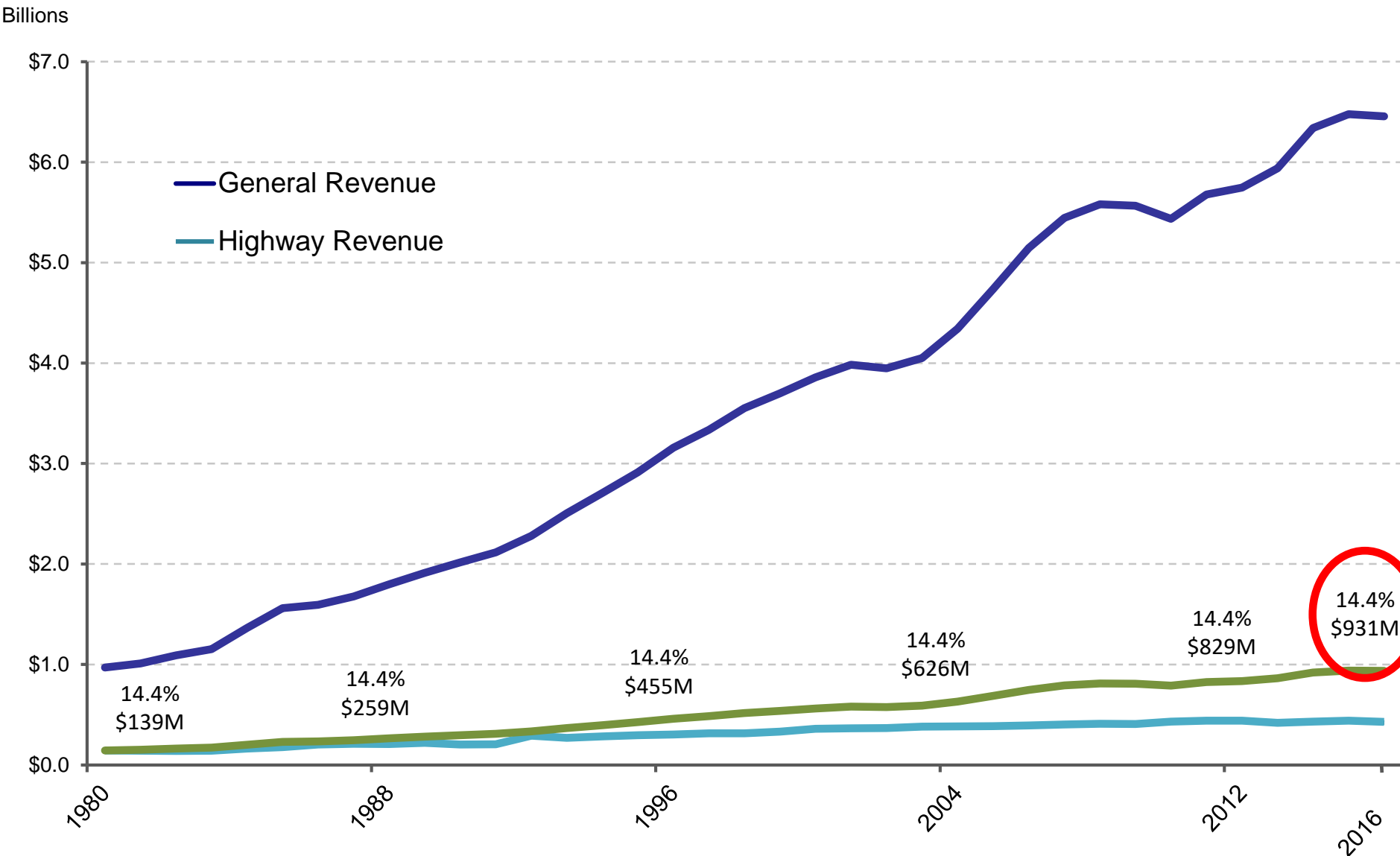


Percent of Highway vs. General Revenue



Excludes County & City Aid funds | Excludes CAP funds

Highway Revenue at 14.4% of General Revenue

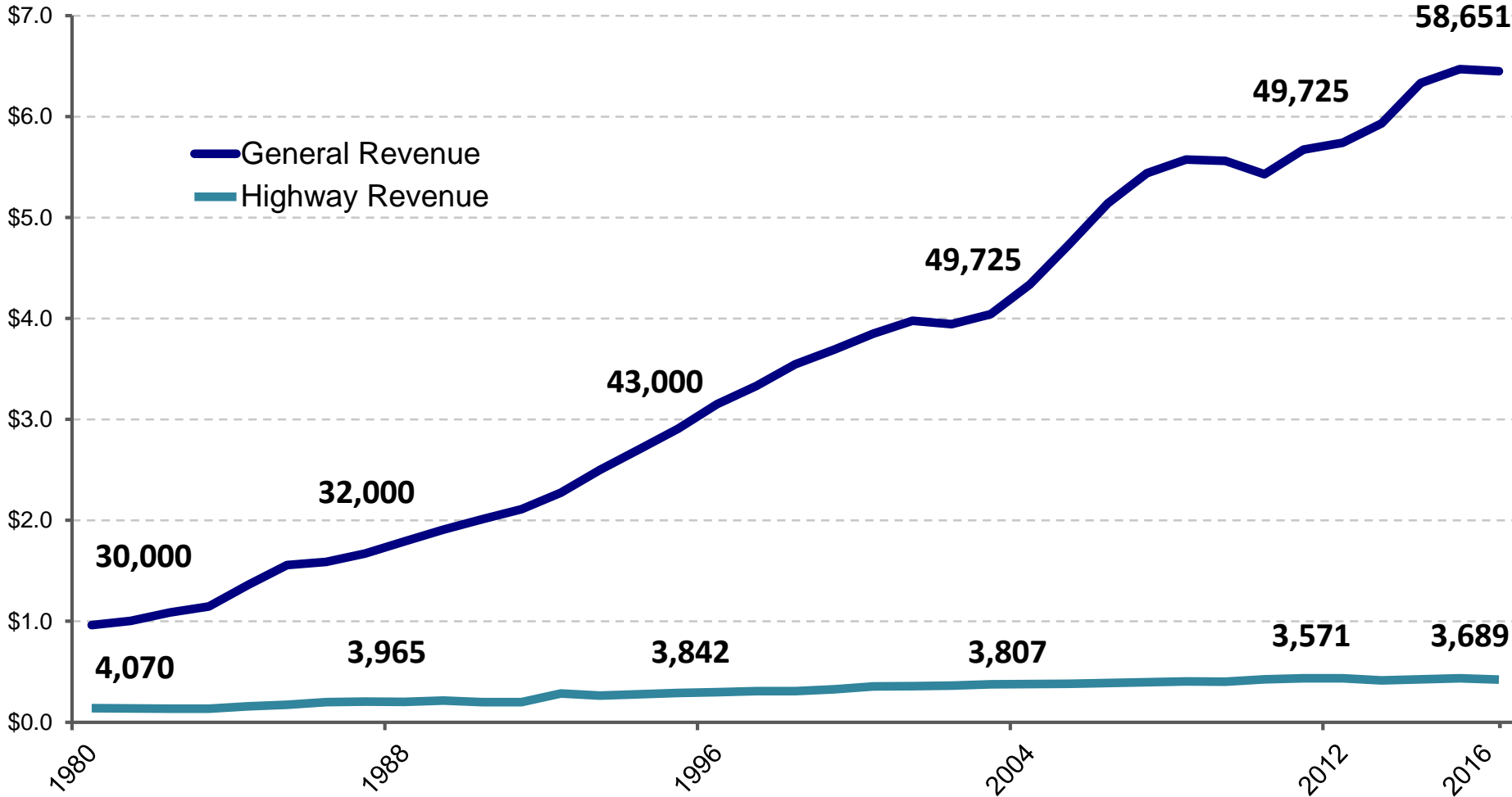


Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

Highway vs. General Revenue Compared to Employment Levels

Billions



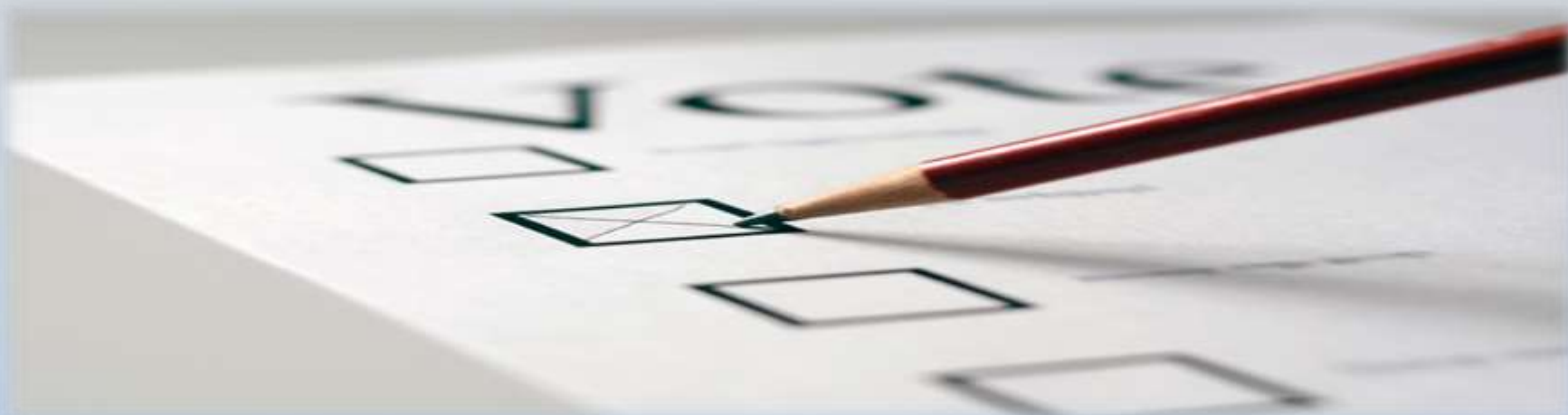
Excludes County & City Aid funds | Excludes CAP funds

Fiscal Year

□ Funding Targets

- ✓ Immediate: \$ 50 Million
- ✓ Short-term (0-3 years): \$110 Million
- ✓ Mid-term (3-5 years) (2018-2020): \$250 Million
- ✓ Long-term (6-9 years) (2021-2024): \$400 Million

All figures are annual amounts for state highways.



Potential New Program



Citizens Opinion Survey

CITIZENS OPINION SURVEY ON HIGHWAYS IN ARKANSAS

MAIL OR EMAIL RESPONSES TO:
ArkDOT
Public Information
P.O. Box 2261
Little Rock, AR 72203
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

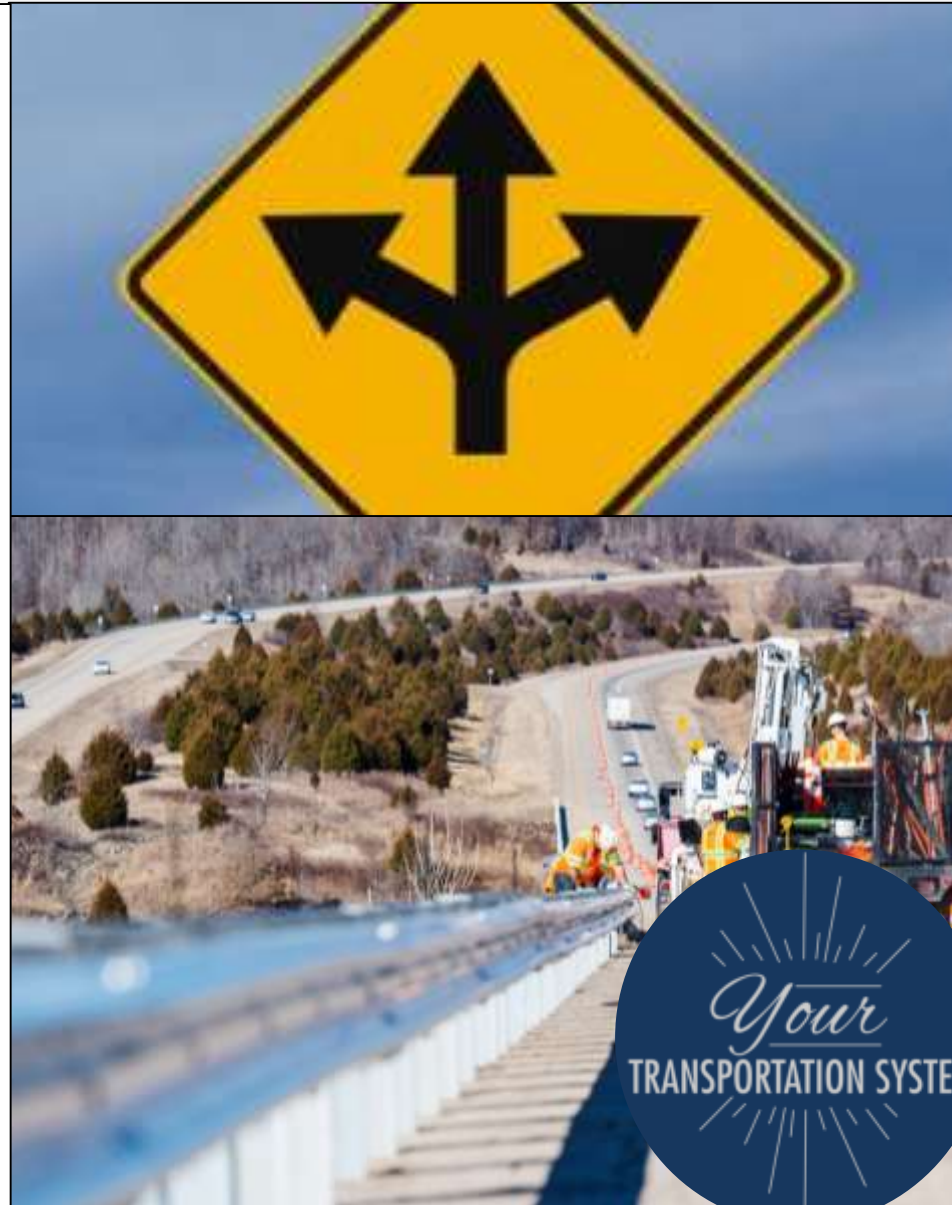
How did you hear about this survey?

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

Optional:

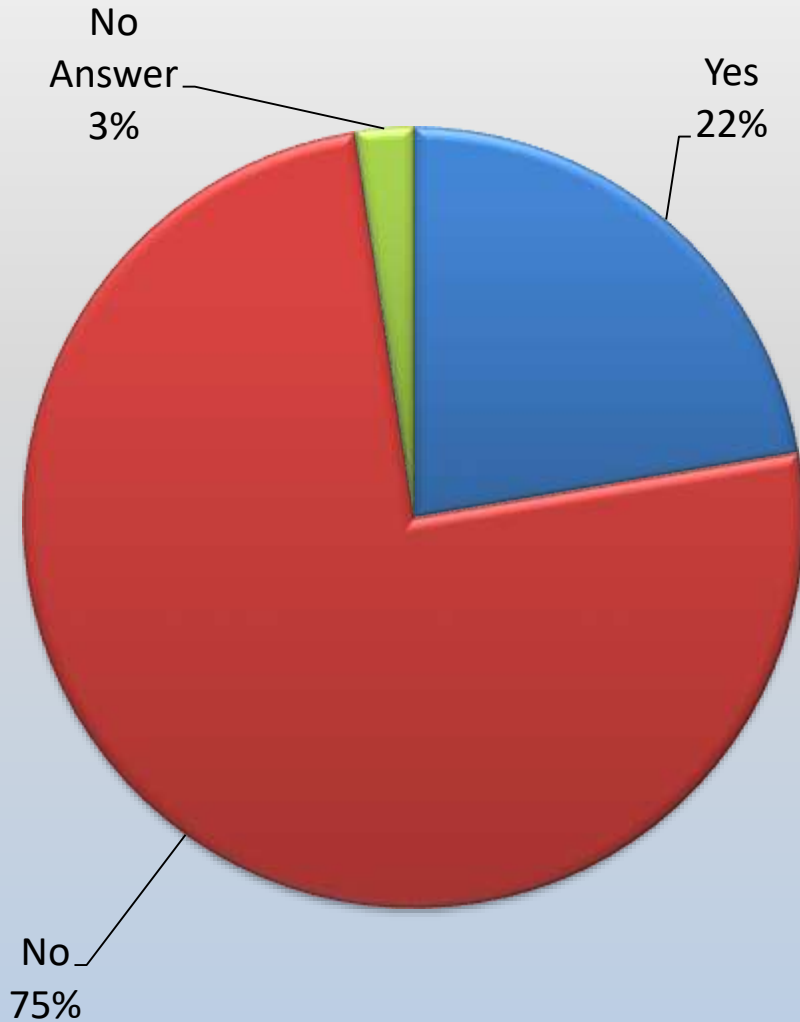
Name: _____
Address: _____
City, State, Zip: _____

Online Form Available Here:

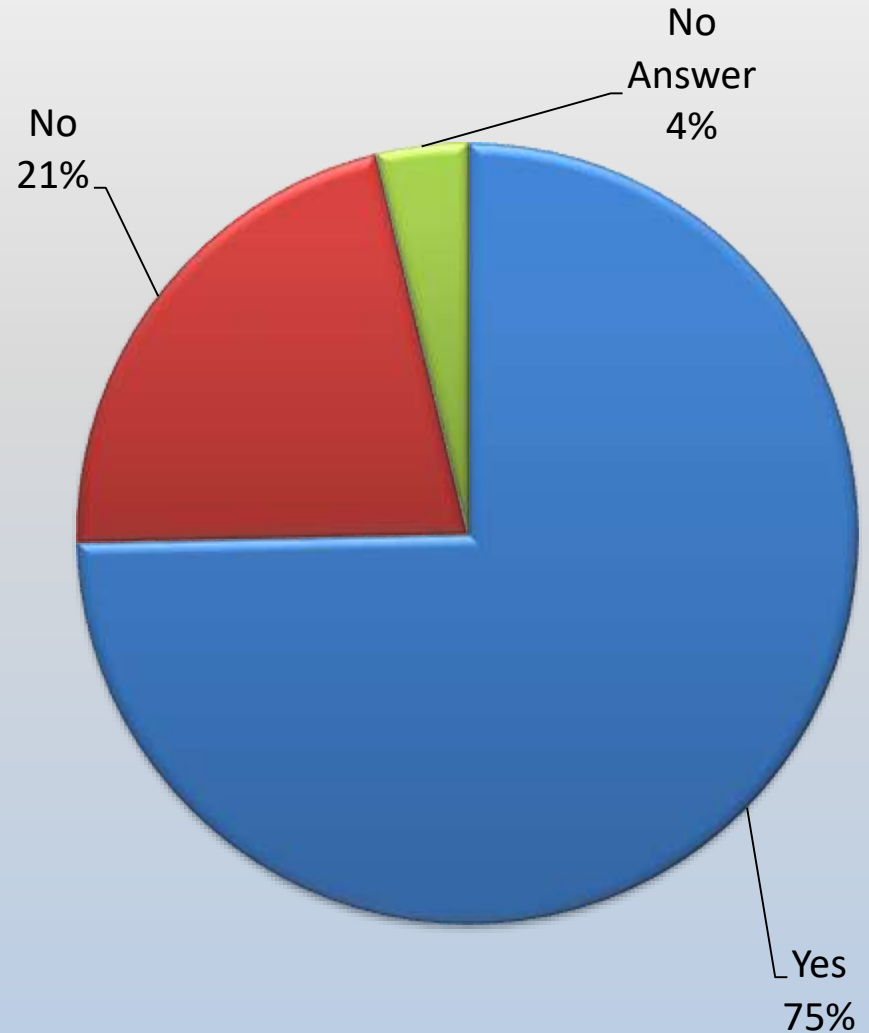


Survey Results

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

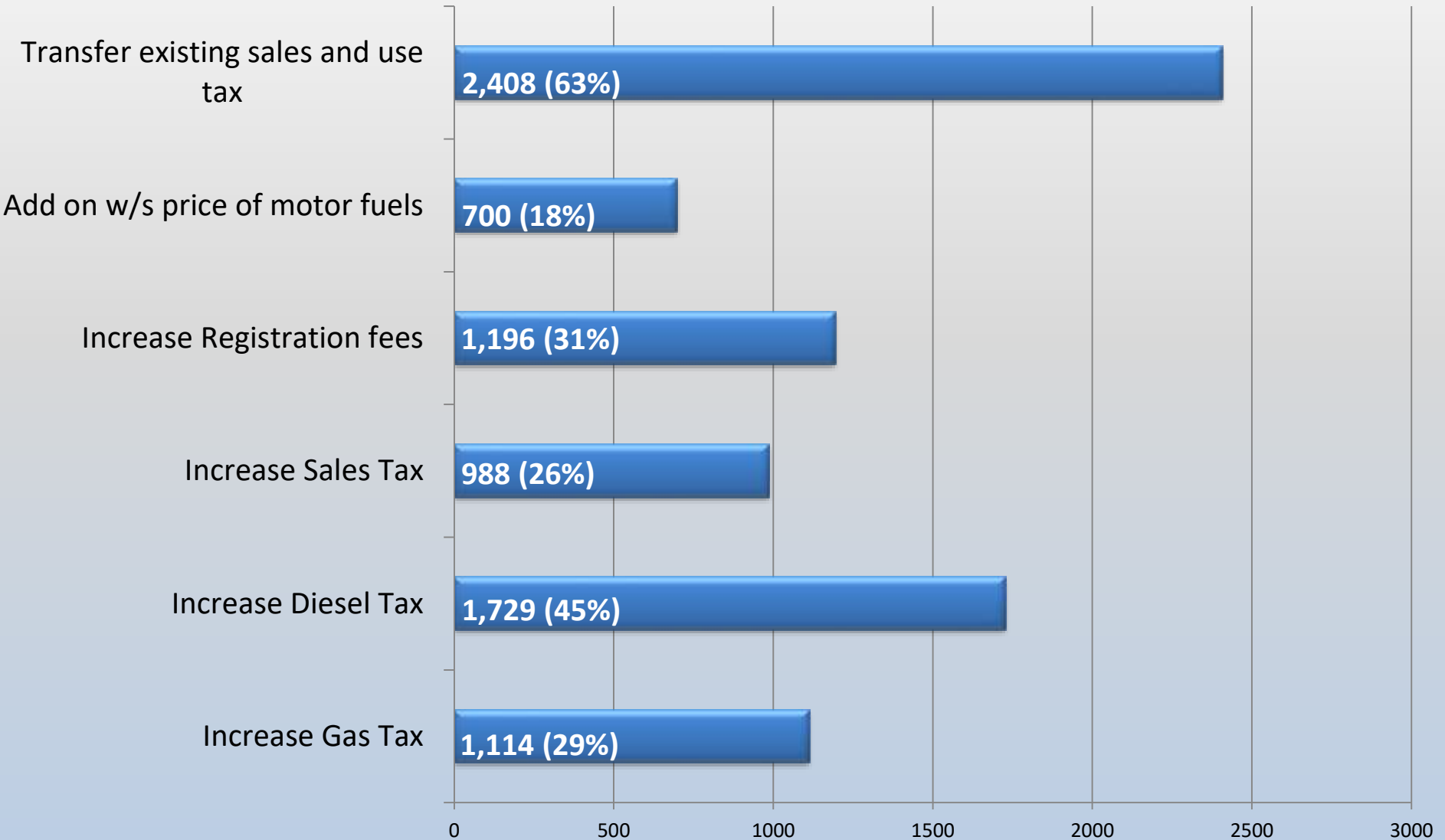


Would you support a new highway program that would generate additional revenue?



Survey Results

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



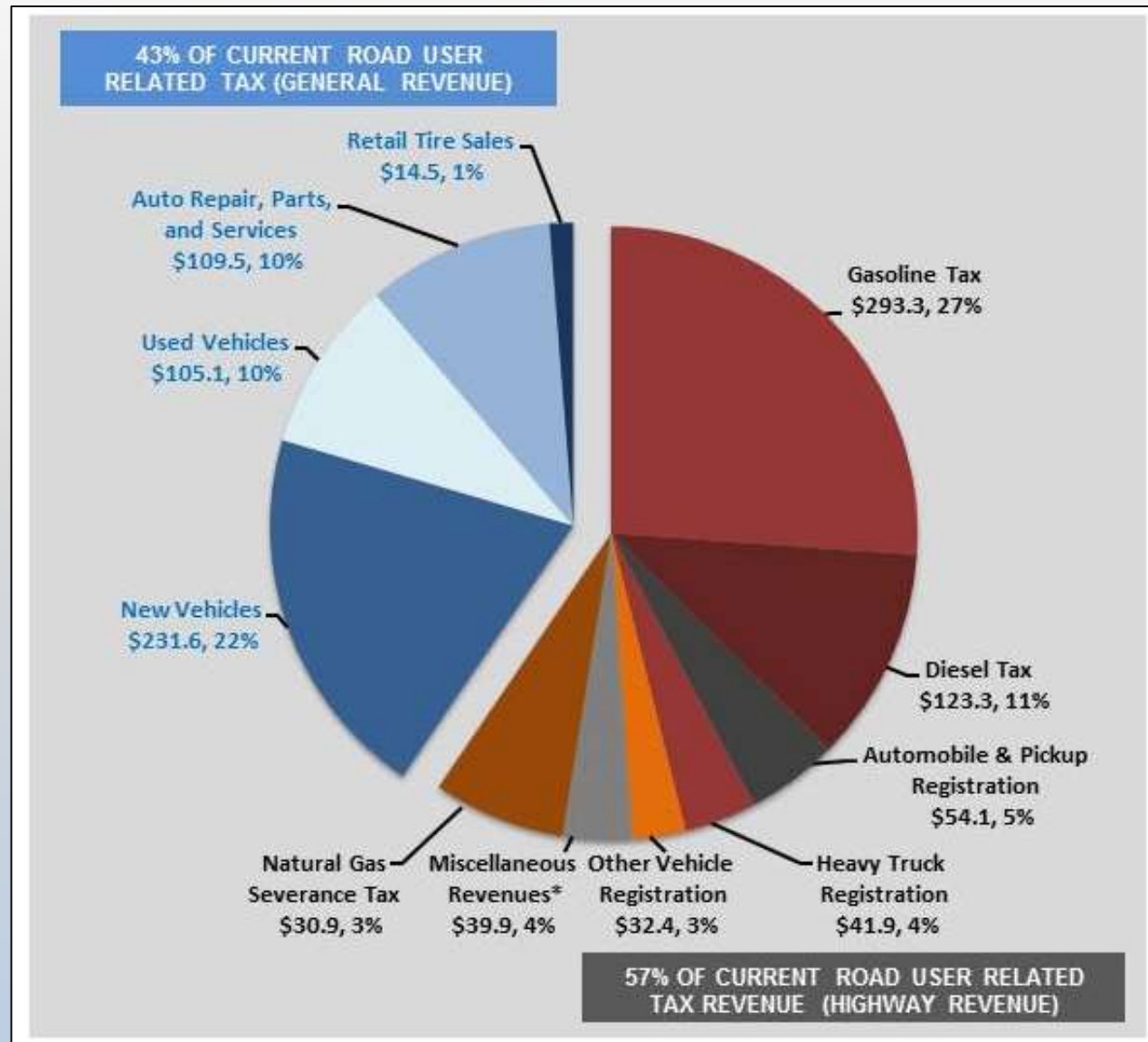
Road User Related Tax Revenue (SFY 2016)

Total Road User Revenue
\$1,076.5 Million

Distribution:

General Revenue
\$460.7 Million (43%)

Highway Revenue
\$615.9 Million (57%)



Options for Generating Additional Revenue for Highways

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

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)

Potential New Program

Year	New and Used Vehicles Retail Tire Sales Revenue	\$15 Registration Fee Increase	Sales Tax 1/4 cent	Total Additional to Highway Revenue (70/15/15)	Additional to Department *
	5-Year Phase-In	2-Year Phase-In			
(x \$1 Million)					
2020	\$ 73.5	\$ 21.4		\$ 94.9	\$ 66.5
2021	\$ 150.0	\$ 43.3		\$ 193.3	\$ 135.3
2022	\$ 229.4	\$ 43.7		\$ 273.2	\$ 191.2
2023	\$ 312.0	\$ 44.2		\$ 356.2	\$ 249.4
2024	\$ 397.8	\$ 44.6	\$ 144.1	\$ 586.6	\$ 410.6
TOTAL TO THE HIGHWAY FUND IN YEAR 2024				\$ 586.6	\$ 410.6

Potential New Program

Year	Add 6.5% Exise Tax to Motor Fuels 3-Year Phase-In	Sales Tax 1/2 cent	Total Additional to Highway Revenue (70/15/15)	Additional to Department *
	(x \$1 Million)			
2020	\$ 111.3		\$ 111.3	\$ 77.9
2021	\$ 189.3		\$ 189.3	\$ 132.5
2022	\$ 251.0		\$ 251.0	\$ 175.7
2023	\$ 256.0		\$ 256.0	\$ 179.2
2024	\$ 261.1	\$ 288.3	\$ 549.4	\$ 384.6
TOTAL TO THE HIGHWAY FUND IN YEAR 2024			\$ 549.4	\$ 384.6

Potential New Program

The Shrinking Highway Dollar

Category	1997-2016 Percent Increase
Construction Cost Index	146 %
Overlays – Cost Per Lane Mile	145 %
Bridges Replacement – Cost Per Square Foot of Deck Area	131 %
Widening from 2 to 5 Lanes – Cost Per Mile	139 %

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.

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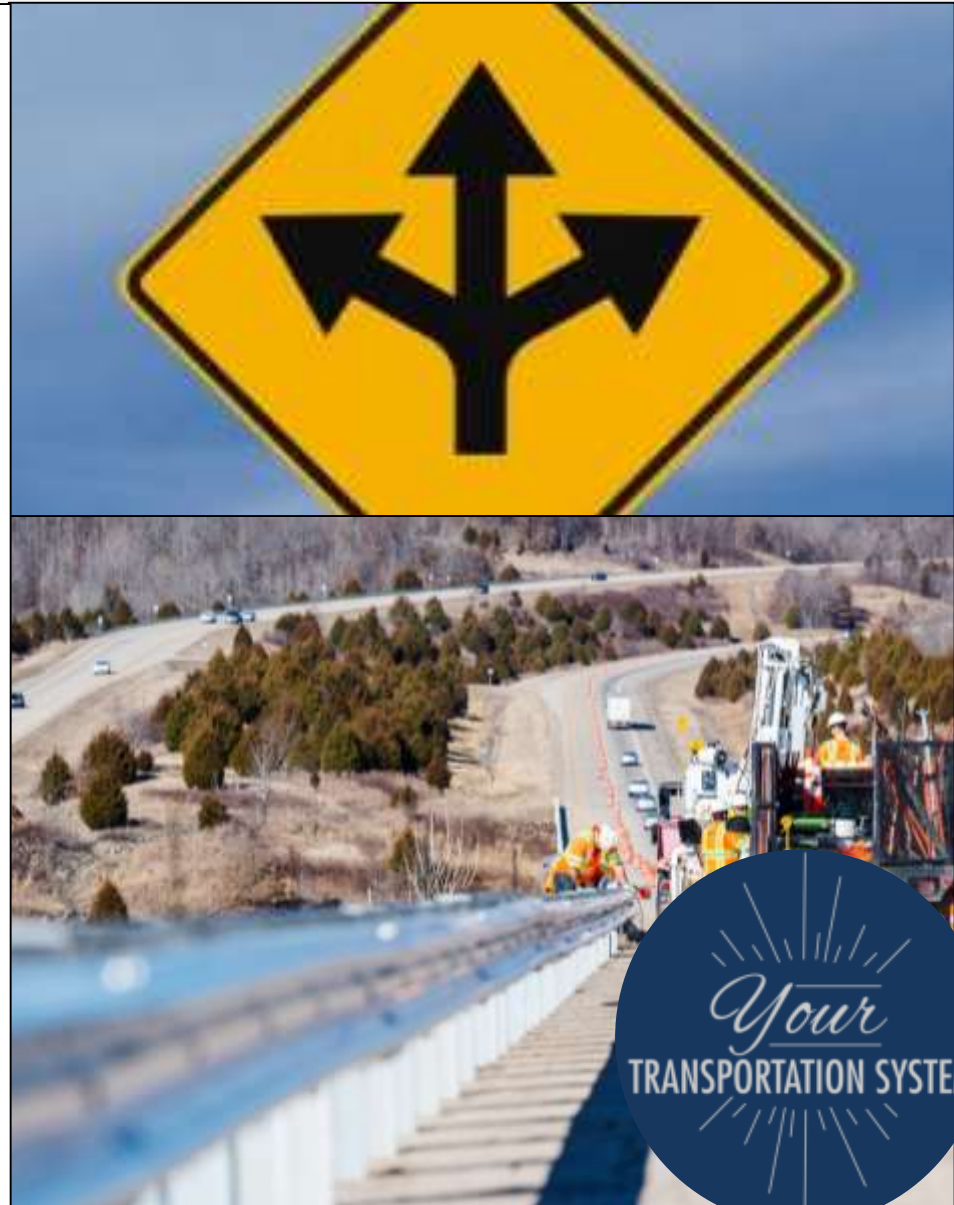
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Optional:

Name: _____
Address: _____
City, State, Zip: _____

Online Form Available Here:



Questions?

