AGENDA

Governor's Working Group on Highway Funding

Thursday, September 24, 2015
1:30 PM
Room 151, State Capitol
Little Rock, Arkansas

Duncan Baird, Chair
Scott Bennett
Alec Farmer
Rep. Dan Douglas
Sen. Bill Sample
Rep. Andy Davis
Rep. Prissy Hickerson
County Judge Jerry Holmes
Mayor Harold Perrin
Randy Zook

Philip Taldo
Dr. Brett Powell
Larry Walther
Guy Washburn
Shannon Newton
Charles Weaver
Craig Douglass
Jackson Williams
Frank Scott, Jr
Dr. Robin Bowen

A. Call to Order

B. National Governors Association Public Private Partnership Retreat
   a. October 7-8, 2015, Philander Smith College, Little Rock, AR

C. Follow-up Discussion from Previous Meeting

D. Development of Preliminary Recommendation to the Governor
   a. Submitted proposals
   b. Time frame & format

E. Closing Remarks

The County Judges Association of Arkansas cordially invites you to attend their fall meeting on Thursday, October 1, 2015 at the Wyndham Riverfront Hotel in North Little Rock

Silver City Rooms 1-2

at 10:30 a.m.

to join in a discussion and dialogue on county road funding and maintenance needs

RSVP to Brenda Emerson
501-372-7550 or by email bemerson@arcounties.org

Governor's Working Group on Highway Funding

Minutes of September 3, 2015 Meeting
Arkansas State Capitol Room 151
1:30 p.m.

Action items are highlighted in yellow and also summarized at the end of this document.

In Attendance:

Duncan Baird, Chair	Mayor Harold Perrin	Shannon Newton
Scott Bennett	Randy Zook	Craig Douglass
Rep. Dan Douglas	Philip Taldo	Jackson Williams
Sen. Bill Sample	Dr. Brett Powell	Frank Scott, Jr.
Rep. Andy Davis	Larry Walther	Dr. Robin Bowen
Rep. Prissy Hickerson	Guy Washburn	

Agenda Item A – Call to Order

- Duncan Baird, Chairman, called the meeting to order.

- Chairman Baird provided an update to the Public Private Partnership (P3) Retreat, which is put on by the National Governor's Association.

  - ✓ Scheduled for October 7th from 8:00 am to 5:30 pm., and October 8th from 8:00 am to 1:30 pm.
  - ✓ The Governor will provide opening remarks on the 7th.
  - ✓ The Working Group will meet at the conclusion of the Retreat on October 8th at 1:30 pm.
  - ✓ All members of the Working Group are encouraged to attend the Retreat.
  - ✓ A formal invitation will be sent out once details are finalized.

- Chairman Baird announced that Charles (Charlie) Weaver will replace Scott McGeorge on the Working Group.

- Chairman Baird reminded members of the Group to send ideas, research and information to Tori Gordon, and she will distribute the information to the rest of the Group. • Committee should develop mechanisms on how to generate funds. At this time, the committee should not specify how much but should focus on how to generate the funds.

Agenda Item B – Follow-up Discussion from Last Meeting

- **AHTD Detailed Spending Plan**

  - ✓ Chairman Baird recognized Director Bennett with an update from the Arkansas Highway and Transportation Department (AHTD).

  - ✓ Director Bennett discussed the following reports, which are included as Attachment 1 to these minutes, with the Group:

    - Summary of Ranges and Uses,

    - Ranges, Use, and Benefits of Potential Funding Targets;

    - Ultimate Needs and Goal; and

    - Improvement Cost Examples.

  - ✓ Dr. Bowen asked Director Bennett how many miles needed to be resurfaced in the State, and what the life of a preservation job was.

    - Director Bennett stated that over half of the system, over 8,000 miles, was in need of some kind of preservation and that the need was continual. Director Bennett further explained that an overlay would last approximately 12-15 years before needing some kind of maintenance.

  - ✓ Dr. Bowen asked what the ultimate need was, and how that is determined and asked if there was a formula, or industry standard that determines the ultimate need.

    - Director Bennett stated that most states have a pavement management system, which collects data and rates the pavement. He also stated that states conduct traffic counts, and there is an industry standard which says what is and what is not congested.

    - AHTD has conducted studies to find what the needs are for the next 10 years, which are listed on the information bullet sheet provided.

  - ✓ Dr. Bowen asked if there was a way to obtain information from other states that have needs comparable to Arkansas. She would like to look at other states that have good systems and see how much they spend.

  - ✓ Chairman Baird stated that while the group's current focus was on the short-term funding goals, he would like to see a comparison to other states in terms of long-term funding and needs.

- ✓ Senator Sample asked for clarification on the overlay program – Director Bennett confirmed that $200 - $300 million per year is needed for an overlay program
  - This includes miles needing an overlay and those which need reconstructing. Director Bennett noted that it is better to overlay a road in fair condition, than to reconstruct a road in poor condition.
- ✓ Senator Sample noted other states that have increased their motor fuel taxes, but does not see how that alone can fund the construction needs.
  - Director Bennett stated the AHTD will use federal-aid money to reconstruct/improve more miles.
- ✓ Representative Hickerson stated that the AASHTO website or the DOT website is a good source for information.

- **Arkansas' Underground Storage Tank (UST) Program**
  - ✓ Chairman Baird recognized Joe Hoover, Chief, Regulated Storage Tanks Division, ADEQ.
  - ✓ Mr. Hoover provided information on the Petroleum Storage Tank Trust Fund (Attachment 2) and discussed this information with the group. He referred to the last 3 pages in packet for information regarding the current balance of funds in this account - $15 million maximum and $12 million minimum
  - ✓ Representative Davis asked Mr. Hoover to explain what the adjusted balance is and why it is carried over from year to year
    - Mr. Hoover explained that the adjusted balance is the fund balance minus all outstanding expenditures against the fund. Mr. Hoover also stated that the floor and ceiling is based on the adjusted balance.
  - ✓ Representative Davis questioned as to why projected revenues were not included in the report and if the amount of clean-up work on tanks have declined or flattened since the Underground Storage Tank Act was passed in 1989
    - Mr. Hoover stated the clean-up work is variable, and can change from month-to-month and day-to-day, but the long-term trend shows the number of releases over the years are declining in part to tank owner education and upgrade of tank systems

- ✓ Mr. Hoover noted that Arkansas has one of the lowest leak records in the nation.
- ✓ Mr. Hoover also stated that the cost for clean-up of individual releases has increased.
- ✓ Dr. Bowen asked of the $8.8 million obligated for corrective action was an annual amount.
  - Mr. Hoover answered that this number is the amount that is currently approved for work to be completed. This number changes based on new work that is reviewed. Once work is completed and paid out, it is removed from the obligated fund.
  - Mr. Hoover stated that the annual average for the fund is $6 million per year.
- ✓ Larry Walther posed a question regarding the balance fluctuations over time.
  - Mr. Hoover stated it has been slowly growing over the past ten years. July 31, 2015 is the first time the fund has actually met the statutory floor that was set at $12 million.

- **State Central Services Fund**
  - ✓ Chairman Baird provided background to where the 3.2% off the top was going (Attachment 3).
  - ✓ Chairman Baird also provided information on special revenue fees generated by highway revenues (Attachment 4).
  - ✓ Representative Davis stated that the Highway revenues deducted was the total revenue, which includes the additional $7 million generated from the half-cent sales tax. Representative Davis stated that it would be beneficial to look at highway revenues without the income generated by the sales tax increase, since it is temporary. Representative Davis is concerned that Central Services could become reliant on the revenues from the half-cent sales tax, which expires in 2023.
  - ✓ Chairman Baird will research revenues with and without the half-cent sales tax.
  - ✓ Representative Hickerson questioned the origination of the Central Service fund, and if the legislature can change it.

- ✓ Chairman Baird stated it is specified in the law and will take legislative action to change, but will check whether other agencies receive a special rate.

Agenda Item C – Examination of Other State's Actions

- Chairman Baird provided the group with a breakdown of what other states are doing to generate revenue, and the dollar amount impact it has (Attachment 5).

Agenda Item D – Discussion and Determination of Short-Term Funding Options for Arkansas

- Chairman Baird opened the floor for discussion on short-term funding options.
- A matrix was provided which contained the ideas discussed by the group. The matrix is intended to be used as a guide, to get some ideas on paper (Attachment 6).
- Chairman Baird recognized Craig Douglass from Arkansas Good Roads to discuss his short-term proposal.
- Mr. Douglass outlined the short-term target funding of \$110 – \$150 million, to accomplish immediate maintenance centered needs over a 2-year time period, which include:
    - ✓ Improve highway and bridge safety;
    - ✓ Reduce the cost of miles traveled;
    - ✓ Extend the usable life of existing roads;
    - ✓ Create and sustain private sector jobs; and
    - ✓ Enhance economic activity and overall economic development.
- Mr. Douglass explained there was a limited pathway to get to significant revenue on a short-term basis and presented options for generating revenue:
    - ✓ State Surplus
    - ✓ Borrow from the Revenue Stabilization Trust Fund – must be paid back by the end of the fiscal year
    - ✓ Raise Motor Fuel Taxes – Gasoline and Diesel

  - Could quickly generate significant revenue to match federal-funds
  - 10 – 12 other states have successfully raised motor fuel taxes to generate revenue.

- ✓ Mr. Douglass recommended a 10¢ increase in the motor fuel tax to generate \$110 - \$125 in revenue, due to the fact that Arkansas does not have other permanent road user fees, other than the motor fuel tax.

- ✓ Mr. Douglass reported that in certain states, particularly in South Carolina, the governor has stated she will not sign a bill for a gas tax increase unless there was a tradeoff in a reduction in income taxes. He believes that Arkansas has already achieved that tradeoff with the recent reduction in income taxes during the last session in the amount of \$100 - \$105 million.

- ✓ Mr. Douglass stated that if the Working Group was inclined to suggest an increase in the motor fuel tax, a transfer of the sales tax on new and used vehicles into the highway fund and transferred over a period of years could provide a more permanent source of funding.

- ✓ Mr. Douglass explained that if the revenue from sales tax on new and used vehicles were transferred from the General Revenue fund to the Highway fund, then an increased motor fuel tax could gradually be decreased as more permanent revenues are phased in.

- ✓ Mr. Douglass stated the timing of the execution of increased motor fuel taxes is critical. On August 25, 2015, the price of gasoline was \$2.17 in Springdale, \$2.09 in Hot Springs, \$2.01 in Jonesboro and \$1.99 in Sherwood. An immediate 10¢ increase in motor fuel taxes could still save motorists and average of \$.025 per gallon.

- ✓ Mr. Douglass wants to act in a matter that will have the least impact on the motorists, and he believes that as gas prices continue to fall, the impact would be less. Mr. Douglass further supported his proposal by stating that the inventory of gasoline in America, the falling price per barrel of oil, and the falling demand for gasoline after the Labor Day Holiday, which will increase the supply of gasoline, further decrease the price of gasoline. Mr. Douglass referenced the Iran agreement, which will flood the market with oil, resulting in a decrease in gasoline prices.

- ✓ Commissioner Frank Scott proposed a "three prong approach" to how the Group looks at funding.

  - Indexing gas and diesel tax to inflation;

- Increase the gas and diesel tax, but increase to 15¢, phased in $0.05 per year for three years; and

    - Existing 70/30 split – 15 for cities and 15 for counties to go into the State-aid County Road and City Streets Programs to address transparency concerns

- Long term – change the existing way on how taxes are collected to a "Reportable Miles Traveled" tax where drivers report the number of miles traveled annually when they renew their car tags.

- Indexing motor fuels to inflation along with increasing the tax to 15¢ together would provide $460 million per year.

- Realizes that moving to vehicle miles traveled will take longer.

✓ Chairman Baird referenced the actions from other states and how it would compare if the same action was taken in Arkansas (Attachment 5).

✓ Randy Zook stated he supported the increased fuel tax and feels the current collection method is efficient and should not be changed. Mr. Zook suggested raising the tax 5¢ per gallon immediately, then increase 1¢ every quarter or six months until you get to the 10¢ level.

✓ Senator Sample agreed with the Zook plan and said we should index the tax once it reached the 10¢ increase level so the group does not have to meet again every year looking for ways to generate revenue.

✓ Frank Scott agreed with Mr. Zook on the benefits and efficiency of the motor fuel tax, but said since consumption is trending down that we must consider the future and tax alternative fuels similarly to gas and diesel.

✓ Mr. Scott stated that he agreed that the state does have a great way of collection taxes, but the issue at hand is consumption. Consumption is why revenues aren't increasing. By having a reportable miles traveled, there will be a measurable way to receive the dollars for actual miles traveled. Mr. Scott stated the Group needs to look into the future because more energy efficient vehicles will be on the road. Mr. Scott also mentioned alternative fuels in the future.

✓ Shannon Newton expressed her support for Mr. Zook's recommendation for the increased gas tax. Ms. Newton does not believe that the mechanism for collecting the tax is the problem, rather the will to adjust the rate at which it is collected. By indexing, it alleviates concerns and allows the most money to go into concrete as soon as possible.

- ✓ Guy Washburn asked what factor would be used to base indexing, CPI or CCI?

- ✓ Director Bennett noted that since 1993, the CPI had grown about 60%, but the CCI had increased about 180%, and that the CCI is more appropriate because it is directly related to highway construction costs in Arkansas.

- ✓ Guy Washburn asked if another index besides the highway department index would be recognized.

- ✓ Chairman Baird referenced the construction cost index, inflation, population growth, miles traveled.

- ✓ Representative Davis stated the idea of a tax increase was politically unfeasible. Davis stated that the Governor directed to group to find creative alternatives, but to also consider political realities. Representative Davis stated that while he didn't disagree with Mr. Zook's suggestion, the suggested ideas were neither creative nor politically feasible. Representative Davis presented the group with a list of ideas that he feels would satisfy the Governor's requests. Representative Davis stated that the legislature would not consider any new revenue until it is confident the "couch has been turned upside-down, and shaken out every penny". Representative Davis challenged the Group to find ways that are "revenue neutral".

    - Transfer of $4 million generated from the Diesel Tax from the General Revenue to the Highway Trust Fund;

    - The 3.2% of the half-cent sales tax revenue should not be required to be transferred to the State Central Services fund;

    - Sales tax rebate – sales taxes paid on construction materials. Set up a mechanism where the AHTD could request a rebate from the DF&A for the sales tax on construction materials;

    - Transfer $20 million in State Surplus funds to AHTD each year;

    - Raise Diesel Tax and cut State Income Tax to guarantee $20 million annually;

    - Grocery tax cut that expires in 2017 when Desegregation Payment ends. This could generate $60 million to $70 million per year.

    - Hybrid/electric registration fees to AHTD. Should be equal to Gas Tax.
        - Cut Gas/Diesel 1¢ and Raise Hybrid/Electric registration.

- Wants to use this to accomplish real tax reform.

- ✓ Shannon Newton expressed her appreciation to Representative Davis for his work and research into finding alternative ideas. Ms. Newton's concern is that these are not long-term solutions and we should not rule out increasing the motor fuel taxes.

- ✓ Representative Davis noted that his goals are strictly short-term, and hopes that the Governor will allow the group additional time to discuss more long-term solutions.

- ✓ Senator Sample stated that with tax cuts about to take place, it would be hard to do without the income tax. Senator Sample stated that short-term solutions were not the answer, and the group needed to look into the future to find long-term answers.

- ✓ Frank Scott also expressed his appreciation to Representative Davis. Mr. Scott noted that the AHTD has a remarkable record on its fiscal responsibility. Mr. Scott agreed with Senator Sample in that it is time to invest in infrastructure.

- ✓ Larry Walther stated that Representative Davis looked at this from a realistic point-of-view. Mr. Walther also noted that there has to be an approach that is agreeable on both sides of the House. Mr. Walther noted that a $50 million tax decrease implemented in January 2015 was ahead of schedule. In January 2016, an additional $100 million tax deduction would take place. Forecasting in fiscal years 2017 and 2018 would need to take place. Mr. Walther liked the idea of offsets and revenue approaches if possible.

- ✓ Jackson Williams suggested that the group record these preliminary suggestions and solicit feedback from the public and Governor before moving forward..

- ✓ Mr. Douglass noted that the Blue Ribbon Committee was mandated to seek public input, and that the Governor's executive order has identical language as the bill for the Blue Ribbon Committee. The Blue Ribbon Committee conducted research and made recommendations to ask the General Assembly to refer the half-cent sales tax to the people. The House passed, the Senate passed by the minimum number of votes. The Senate stated that the people would not vote for a half-cent sales tax. Mr. Douglass stated that political reality was that the half-cent sales tax passed by 58% of the vote. Mr. Douglass stated that fairest, most equitable way to meet immediately needs is to see what the political realities are among the constituents of the legislative body in Arkansas.

- ✓ Mr. Zook expressed his appreciation to Representative Davis for his work and research. Mr. Zook stated that the people of Arkansas recognized the opportunity to invest in infrastructure and are smart enough to recognize the needs of investing in infrastructure. He will get business input to prove his beliefs.

- ✓ Representative Douglas noted the sentiment of drivers that they want better roads. He also noted that the sentiment was that the people wanted efficient government. Representative Douglas agreed that a gas tax is the quickest way to generate revenue, but the group has to find cuts in other areas as well. Representative Douglas also noted that with the agricultural income, the revenues may not be as high as they have been. Representative Douglas stated that revenue neutral solutions are not practical to maintain infrastructure needs.

- ✓ Mr. Scott proposed the group look at a tax increase of $0.15 phased in over three years, indexing and a detailed listing of all the revenue neutral ideas presented by Representative Davis for the group to consider.

Item E – Closing Remarks

CONCLUSION

- Chairman Baird closed the meeting instructing the group to take these ideas presented, along with other notes, refine them and by the end of the next meeting have information to take to the public for their input. Include the amount each idea would generate and ideas for getting public input.

- The meeting was adjourned.

ATTACHMENT 1

SUMMARY OF RANGES AND USES

Immediate/Short-term Target (within two years)

$110 million in new annual revenue net to the AHTD ($170-175 million gross)

Uses	With DRIVE Act*	Without DRIVE Act
Matching Federal Aid	$55 million	$15 million
Resurfacing/100% State Funded projects	$55 million	$95 million
	(290-320 miles)	(450-500 miles)
Total Federal and State Construction Program	$685 million (2017)	$525 million

Mid-Term Target (three to five years)

$140 million in new annual revenue net to the AHTD ($215-225 million gross)
$250 million in cumulative new revenue to AHTD ($385-400 million cumulative gross)

Uses	With DRIVE Act	Without DRIVE Act
Matching Federal Aid	$75 million	$25 million
Resurfacing/100% State Funded projects	$125 million	$175 million
	(550-650 miles)	(750-850 miles)
Enhanced Maintenance/Operations	$50 million	$50 million
Total Federal and State Construction Program	$800 million (2020)	$600 million

Long-Term Target (six to nine years)

$150 million in new annual revenue net to the AHTD ($230-245 million gross)
$400 million in cumulative new revenue to AHTD ($615-645 million cumulative gross)

Uses	With DRIVE Act	Without DRIVE Act
Matching Federal Aid	$100 million	$40 million
Resurfacing/100% State Funded projects	$140 million	$200 million
	(650-750 miles)	(850-950 miles)
Enhanced Maintenance/Operations	$60 million	$60 million
Capital/Econ. Dev. Improvements	$50 million	$50 million
Weight Restricted Facility Improvements	$50 million	$50 million
Total Federal and State Construction Program	$925 million (2024)	$675 million

*The DRIVE Act is pending federal legislation that has passed the Senate but not the House. It would provide an increase in the amount of federal funds available to Arkansas, thus increasing the amount of state match required. It would also increase Arkansas' annual construction program.

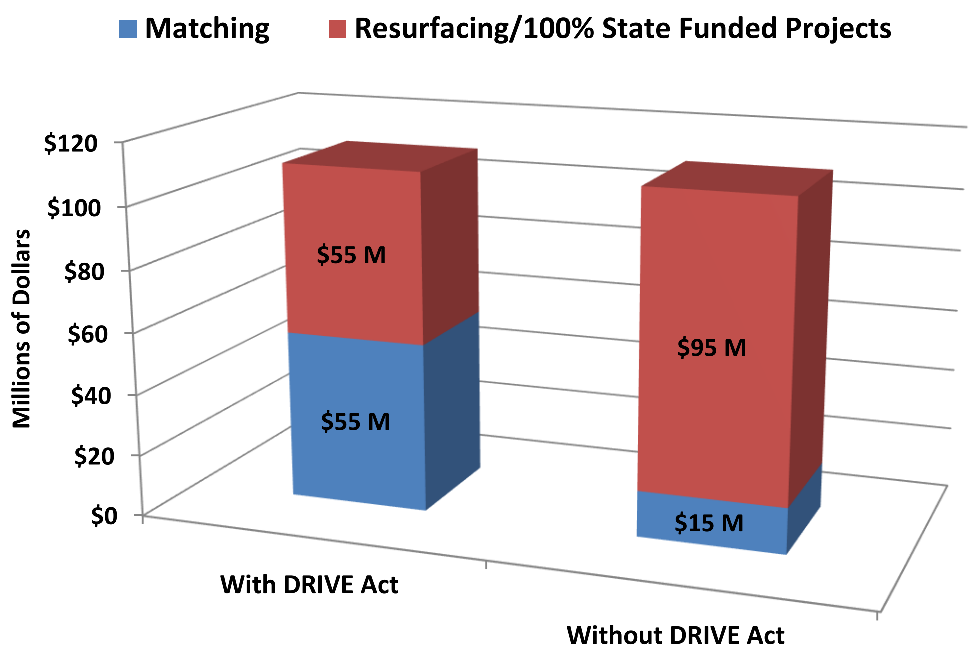
ATTACHMENT 1

Ranges, Use, and Benefits of Potential Funding Targets

Immediate/Short-Term Target (within two years)

Range: $110 million (+/-) net to the AHTD annually
($170-175 million gross needed under current distribution formula)

Uses:



Benefits:

- Provides adequate additional state funds to ensure that no federal funds would be lost due to our inability to provide the required state match.
- Allows the AHTD to have a minimal resurfacing program similar in size to recent overlay programs if the DRIVE Act passes.
- Allows the AHTD to have a larger 100% state funded program to preserve and extend the life of highways in the absence of additional federal funds if the DRIVE Act fails.
- Would support an annual federal and state construction program* of $685 million if the DRIVE Act passes, or $525 million if the DRIVE Act fails.

*Annual federal and state construction program consists of federal funds, state match, and other state funds used for construction projects.

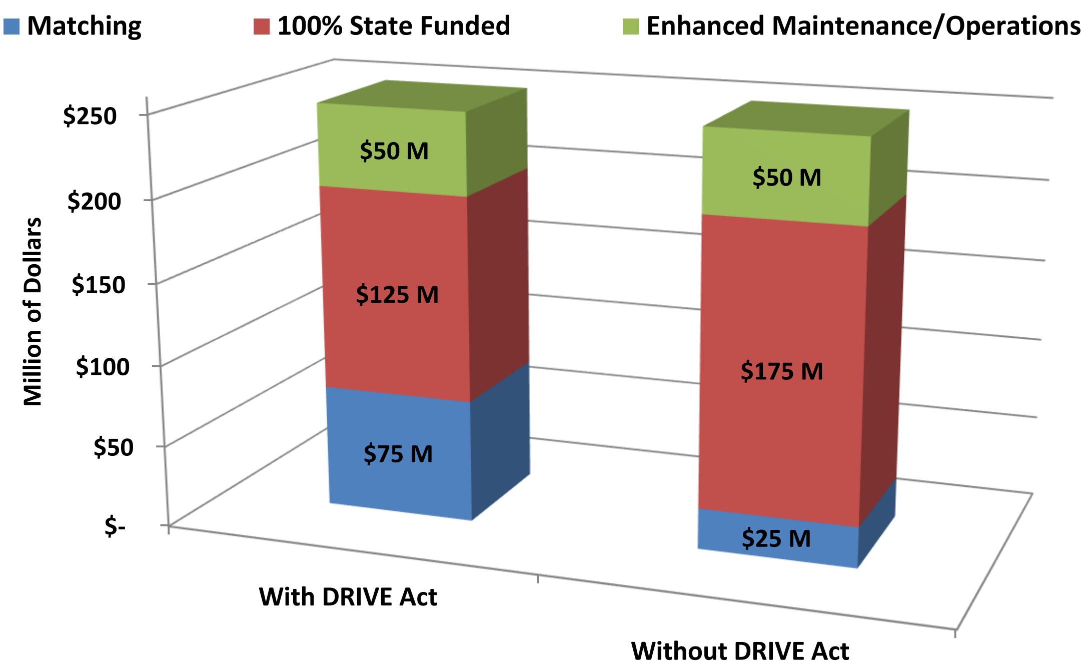
ATTACHMENT 1

Mid-Term Target (three to five years in the future)

Range: $140 million (+/-) additional net to the AHTD annually
($215-225 million gross needed under current distribution formula)

When combined with the short-term target amount, this would provide approximately $250 million in new revenue annually to the AHTD.

Uses:



Benefits:

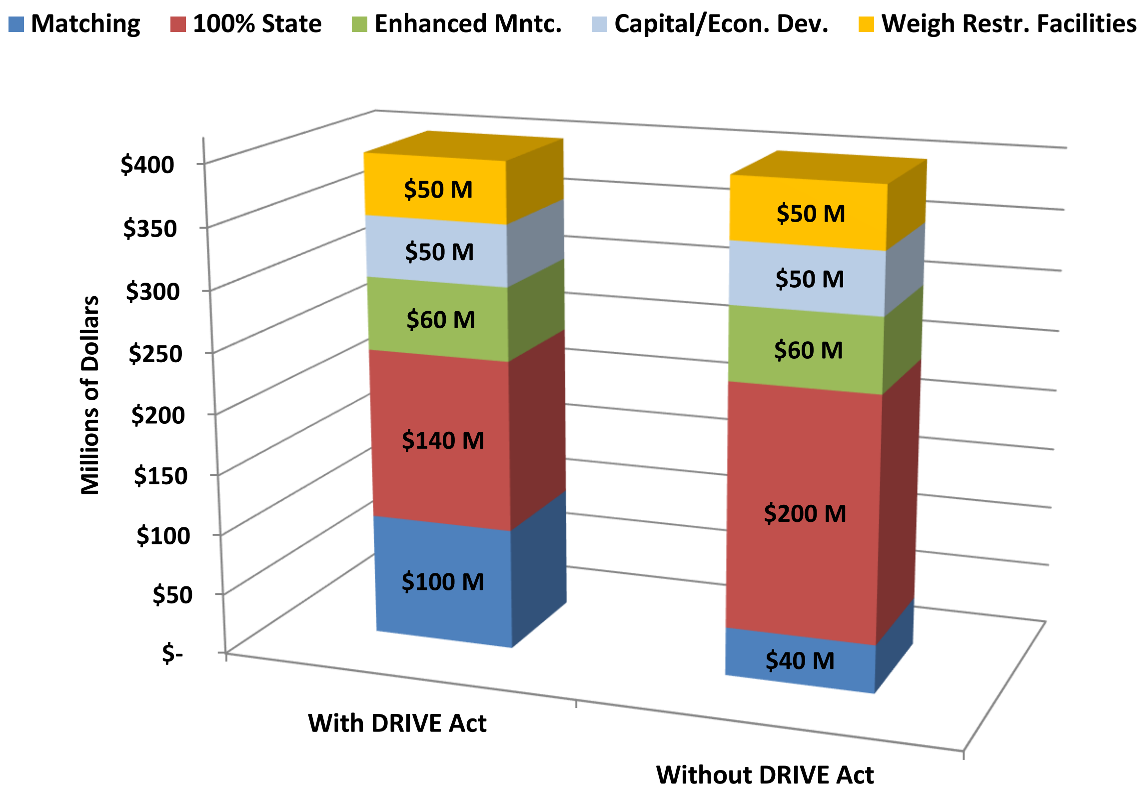
- In three to five years, even more state funds will needed to match federal aid with or without the DRIVE Act; this level of funding accommodates that.
- Allows a more appropriate state funded program with or without the DRIVE Act.
- Provides funding for an Enhanced Maintenance/Operations Program that would:
  - ✓ Triple the Department's annual striping program
  - ✓ Increase the mowing frequency from 3 to 4 times per year
  - ✓ Increase funding at the District level for routine or general maintenance
  - ✓ Increase the equipment and facility replacement program to lower the average age of the AHTD's fleet and increase productivity
  - ✓ Expedite the implementation of Intelligent Transportation System (ITS) technologies (Transportation Management Center, message boards, roadway weather information system, etc.)
- Would support an annual federal and state construction program of $800 million if the DRIVE Act passes, or $600 million if the DRIVE Act fails.

ATTACHMENT 1

Long-Term Target (six to nine years in the future)

Range: $150 million (+/-) additional net to the AHTD annually
($230-245 million gross needed under current distribution formula)

Uses:



Benefits:

- Provides for state match in both scenarios
- Provides an appropriate level of state funded projects
- Continues the Enhanced Maintenance/Operations Program funded under the Mid-Term Target
- Provides an additional $50 million for capital projects (extra capacity to address congestion, 4-lane grid system projects, etc.)
- Provides an additional $50 million to address weight restricted bridges and highways
- Would support an annual federal and state construction program of $925 million if the DRIVE Act passes, or $675 million if the DRIVE Act fails.

Ultimate Needs and Goal (ten years in the future)

Amount Needed: $1.68 billion additional net to the AHTD annually
($2.65 billion gross needed under current distribution formula; this is the gap that exists between the AHTD's current funding levels and the identified functional and economic development needs over the next ten years)

$1.68 billion in new revenue annually for ten years would yield the following:

- Completion of I-49 and I-69;
- Completion of the entire Four-Lane Grid System, including all Economic Development Connectors;
- No deficient or weight-restricted bridges or highways on SHS;
- Pavement conditions of 'Good' on all highways;
- No major capacity or congestion issues in the state;
- Average age of the AHTD fleet at 8 years; and
- Updated Department facilities statewide.

Improvement Cost Examples

Sealing Job **$27,000-32,000 per mile**
(liquid asphalt and pea gravel; 2-lane road)
Sealing does not add strength to a road and adds little if any to its useful life, but it does slow deterioration. It is not preferable for high volume roads.

Overlay **$180,000-200,000 per mile**
(approx. 2 inches of new asphalt; 2-lane road)
An overlay adds strength and extends the life of a road.

Reconstruction **$3.0-3.3 million per mile**
(existing location; 2 lanes with shoulders)
Consists of new drainage, base, surfacing, and minor widening.

New Construction **$3.0-3.3 million per mile**
(new location; 2 lanes with shoulders)

Widening **$3.4-4.8 million per mile**
(existing location; 2 lanes to 5 lanes, undivided) **$8 M per mile in floodway**

ATTACHMENT 2

ADEQ
ARKANSAS
Department of Environmental Quality

ARKANSAS' UNDERGROUND STORAGE TANK (UST) PROGRAM – STATE FUNDS

Petroleum Storage Tank Trust Fund

Statutory Limits –

- Ceiling - $15 million; Floor - $12 million
- Both limits based on *adjusted* fund balance (i.e., balance ". . . as adjusted to reflect the obligations and liabilities of the fund. . .") See A.C.A. § 8-7-906
- Funded by 3/10ths of one cent environmental assurance fee, collected at wholesale level

Fund Use –

- Financial Assurance for releases from eligible tanks (Federal requirement for UST Program)
  - Reimburse tank owners for corrective action
  - Pay third parties for compensatory damages
- Pay costs of ADEQ conducting state-lead corrective action
- Other authorized uses include State match share mandated by federal Resource Conservation & Recovery Act (RCRA) of 1976 and to pay costs incurred by PC&E Commission, ADEQ, AG's office or Advisory Committee on Petroleum Storage Tanks in performance of duties under A.C.A. § 8-7-901 *et seq*.

Issues and Concerns Related to Use For Highway Funding –

- Insufficient funding available for Regulated Storage Tank Program and Financial Assurance [Note 1]
- Loss of Federal program funding (~$1 million, annually) for prohibited diversion of funds from a
  State financial assurance mechanism used to meet Federal financial assurance requirements [Note 2]
- Increased costs to tank owners and operators for alternative financial assurance if federal approval for State Fund is withdrawn due to insolvency or diversion [Note 3]
- Can funds generated by an environmental fee be used similarly to funds generated by Motor Fuel Tax? (Simple majority vs. *Supermajority* of Arkansas General Assembly) [Note 4]

Notes—

1. *The Petroleum Storage Tank Trust Fund is used by Arkansas underground storage tank (UST) owners and operators to meet financial responsibility requirements of the federal Underground Storage Tank program. Federally approved state programs such as Arkansas' which use State Funds for financial assurance must maintain adequate funding to meet federal requirements for State Funds. EPA reviews the Petroleum Storage Tank Trust Fund annually to determine its soundness as an approved financial assurance mechanism for owners and operators of USTs in Arkansas. If EPA determines a State Fund is insolvent or inadequate, it may withdraw the States' authorization to use the State Fund to meet financial assurance requirements.*

2. *The Underground Storage Tank Compliance Act, part of the federal Energy Policy Act of 2005 (see Public Law 109-58) prohibits diversion of state financial assurance funds (Sec. 1522). Further, EPA is prohibited from distributing grant funds to any State that has diverted funds from a State Fund or State financial assurance program for purposes other than those related to the regulation of underground storage tanks. Arkansas receives approximately $1,000,000 annually in federal grant funding for its UST program. That grant funding would be jeopardized if any funds were to be diverted from Arkansas' Petroleum Storage Tank Trust Fund.*

3. *If EPA withdraws Arkansas' authorization to use the Petroleum Storage Tank Trust Fund to meet financial assurance, another mechanism must be used by UST owners and operators to meet their financial assurance responsibilities. Other financial assurance mechanisms, e.g., private insurance, guarantees, surety bonds, etc., are almost certain to cost substantially more to obtain for businesses with USTs.*

4. *The Petroleum Storage Tank Trust Fund is funded by an environmental assurance fee. (See A.C.A. § 8-7-906) The most recent modification of the environmental assurance fee was by Act 670 of 2005 which increased the maximum collection rate of this fee from $0.002 per gallon to $0.003 per gallon. Act 670 passed with a simple majority in both the House and Senate. It is questionable, then, whether monies from the Petroleum Storage Tank Trust Fund could be used to supplement motor fuel tax-generated funding which is subject to approval by a supermajority of the Arkansas General Assembly.*

ATTACHMENT 2

D1 RECEIVED AUG 07 2015 ADEQ-RST

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY

RST Division - Petroleum Storage Tank State Trust Fund
Financial Status Report for Period Ending July 31, 2015

I. Fund Balance on July 1, 2015		$ 22,793,338.54
II. Receipts		
1. Previously reported	$ 141,874,756.29	
2. July receipts	$ 631,584.97	
Total receipts to date		$ 142,506,341.26
III. Expenditures		
1. Previously reported	$ 119,081,417.75	
2. July expenditures	$ 303,540.78	
Total expenditures to date		$ 119,384,958.53
IV. Fund Balance on July 31, 2015		$ 23,121,382.73
V. Interest		
1. Previously reported	$ 9,780,758.80	
2. July Interest	$ 3,369.86	
Total interest to date	$ 9,784,128.66	
VI. Total investments on July 3l, 2015		$ 21,000,000.00
VII. Funds available on July 31, 2015		$ 2,121,382.73

STATUS OF TRUST FUND

Fund balance on 7/31/15-	$ 23,121,382.73
Reserve for emergency projects	$ 350,000.00
Current claims received	$ 1,315,207.73
Claims approved but unpaid	$ 261,823.06
Other corrective action obligations (estimated)	$ 8,815,322.86
Potential third party obligations (estimated)	$ -
Adjusted balance	$ 12,379,029.08

CERTIFIED TRUE AND CORRECT

Keith Reed

Keith Reed
Fiscal Division Chief

ATTACHMENT 3

Off the top Deductions for State Central Services and Constitutional Officers Fund

At least 3% of all General and Special Revenues are deducted off the top to pay for the expenses of the Constitutional Officers and the State Central Services Funds, as authorized by §19-5-202(b)(2)(B)(i) and 19-5-203(b)(2)(A), respectively. The deduction can be increased or decreased up to one additional percent (1%) as determined by the Chief Fiscal Officer of the State with Arkansas Legislative Council approval.

Currently the deduction is 2.2% for State Central Services and 1% for the Constitutional Officers Fund, for a total of 3.2%.

State Central Services: This fund pays for the salaries and operations of those agencies considered essential to State Operations, which include the offices that support the Constitutional Officers, the Bureau of Legislative Research, Legislative Audit, as well as the Claims Commission and DFA – Management and Revenue Services divisions.

- Administrative Office of the Courts
- Arkansas Senate
- Arkansas State Claims Commission
- Auditor of State
- Bureau of Legislative Research
- Commissioner of State Lands
- Court of Appeals
- Department of Finance and Administration
- Division of Legislative Audit
- Governor's Mansion
- House of Representatives
- Office of Prosecutor Coordinator
- Office of the Attorney General
- Office of the Governor
- Office of the Lieutenant Governor
- Public Defender
- Secretary of State
- Supreme Court
- Treasurer of State

Constitutional Officers Fund: This fund pays for the salaries of those officers whose positions are established within the State's Constitution. Also provides additional funding for the operations of the House of Representatives and the Senate.

Funding Issues

The total deduction was increased from 3% to 3.3% in FY12 due to the fund balance falling to a low level. It was lowered in FY14 to 3.2% as the fund balance improved. Each 1/10th of a percent equals around $6 million of general revenue and $4 million of special revenue.

Future impacts to State Central Services:

- Additional District Court Judges – additional $2.4M annually
- Independent Citizens Commission – additional $6.2M annually
- Shortfall of the AOJ Fund
    - Public Defenders Commission Trial Officers
    - AOC Dependency Neglect

ATTACHMENT 4

Special Revenue Fees generated by Highway Revenues

FY	RRA0000 Operations	RRB0000 State Aid Roads	RRC0000 State Aid Streets	RRA4LHC 4-Lane Bond Acct	TOTALS
2010	$ 12,302,759.65	$ 633,426.17	$ -	$ -	**$ 12,936,185.82**
2011	12,634,117.41	606,607.34	-	-	**$ 13,240,724.75**
2012*	13,885,152.14	662,621.56	-	-	**$ 14,547,773.70**
2013*	13,259,278.20	649,797.32	369,059.34	-	**$ 14,278,134.86**
2014**	13,639,791.62	644,778.90	644,580.93	5,161,691.19	**$ 20,090,842.64**
2015**	13,539,919.88	636,210.22	636,403.99	5,469,165.51	**$ 20,281,699.60**
Average	*$ 13,210,169.82*	*$ 638,906.92*	*$ 550,014.75*	*$ 5,315,428.35*	***$ 19,714,519.84***

Actual State Central Services Expenditures and Total Available Funding - including Beginning Year Fund Balances

	2010	2011	2012	2013	2014	2015
Expenditures	$ 288,393,475.30	$ 291,445,861.00	$ 311,090,775.00	$ 310,566,053.00	$ 310,285,777.00	$ 310,285,777.00
Available Funding	305,131,066.40	304,309,310.00	324,025,100.00	331,101,474.00	335,558,548.00	344,644,505.00
Fund Balance (Actual)	16,737,591.12	12,863,448.00	12,934,325.00	22,535,421.00	19,221,224.00	34,358,728.00
Fund Balance Increase (Decrease)		(3,874,143.12)	70,877.00	9,601,096.00	(3,314,197.00)	15,137,504.00

Annual Effect of removing Highway Revenues

	2010	2011	2012	2013	2014	2015
Expenditures	$ 288,393,475.30	$ 291,445,861.00	$ 311,090,775.00	$ 310,566,053.00	$ 310,285,777.00	$ 310,285,777.00
Revenues	267,724,378.56	286,413,976.00	309,987,394.00	315,123,015.00	312,411,997.00	324,875,320.00
LESS HWY REV	(12,936,185.82)	(13,240,724.75)	(14,547,773.70)	(14,278,134.86)	(20,090,842.64)	(20,281,699.60)
Fund Balance	(33,605,282.56)	(18,272,609.75)	(15,651,154.70)	(9,721,172.86)	(17,964,622.64)	(5,692,156.60)

Cumulative Effect of removing Highway Revenues - if removed FY10 Forward

	2010	2011	2012	2013	2014	2015
Fund Balance	16,737,591.12	3,801,405.30	(13,313,462.57)	(27,790,359.27)	(32,467,398.13)	(55,872,437.77)
Change in Fund Balance (Actual)		(3,874,143.12)	70,877.00	9,601,096.00	(3,314,197.00)	15,137,504.00
LESS HWY REV	(12,936,185.82)	(13,240,724.75)	(14,547,773.70)	(14,278,134.86)	(20,090,842.64)	(20,281,699.60)
Cumulative Surplus / (Deficit)	3,801,405.30	(13,313,462.57)	(27,790,359.27)	(32,467,398.13)	(55,872,437.77)	(61,016,633.37)

* - 3.3% MCF - HSC Deduction

** - 3.2% MCF - HSC Deduction

ATTACHMENT 5

state	question	answer	amount
Georgia	Changed the way the tax is calculated on gas and diesel.	It is our understanding that Georgia changed their fuel tax calculation to a fuel tax system that is the same as currently employed in Arkansas. Georgia previously had a fuel tax system that included a periodic adjustment based upon changes in price.	________
	The bill will also exempt motor fuel sales from state sales tax and permit counties and municipalities to impose a $0.03/gallon excise tax.	Arkansas does not currently impose state or local sales taxes on gasoline or diesel. We have no information on which to base a projection for local fuel taxes.	________
	Heavy trucks: Pay an annual highway impact fee of $50 to $100 depending on the weight of the vehicle.	Georgia levied a $50 annual fee on trucks with a gross vehicle weight rating of between 15,500 and 26,000 lbs. and a fee of $100 on vehicles rated at 26,001 and up. This fee does not apply to vehicles registered under the International Registration Plan (IRP). If Arkansas were to levy a comparable fee, the anticipated additional annual revenue would be approximately $4.9M.	$4.9 million per year
	Noncommercial electric vehicles: Pay a $200-per-year fee.	Georgia levies this fee on vehicles that are purely electric. The fee is not collected on vehicles that operate on both gas plus electric motor batteries such as plug-in hybrids and conventional hybrids. DFA has been unable to prepare a revenue impact for this fee in the time provided; however, it is our opinion that collections from a similar fee in Arkansas would generate no more than $200,000 per year at current electric vehicle registration levels.	No more than $200,000 per year
	Commercial electric vehicles: Pay a $300-per-year fee.	This fee applies to the same types of vehicles as included in the non-commercial electric vehicles. DFA has been unable to prepare a revenue impact for this fee in the time provided; however, it is our opinion that collections from a similar fee in Arkansas would generate no more than $300,000 per year at current electric vehicle registration levels.	No more than $300,000 per year
	Hotels and motels: $5 per night fee.	Georgia imposes a $5 fee for each hotel room rental per night and dedicates the proceeds to fund transportation projects. If Arkansas were to adopt a similar $5 fee, the anticipated revenue collections would be between $45M and $50M per year.	Between $45 million and $50 million per year

ATTACHMENT 5

state	question	answer	amount
South Dakota	$0.06/gallon increase in motor fuel taxes.	Each 1¢ increase in the Arkansas fuel tax on gasoline would result in additional revenue of $14.3M based on FY2015 consumption levels. In addition, each 1¢ increase in the Arkansas fuel tax on diesel fuel would result in additional revenue of $6.3M based on FY2015 consumption levels. A tax increase of 6¢ per gallon would increase gasoline tax revenues by $85.8M per year and diesel fuel tax revenues by $37.8M per year based on current consumption levels.	Gasoline tax increase by 6¢/gal = $85.8 million/year Diesel fuel tax increase by 6¢/gal = $37.8 million/year
	1% added to the excise tax on vehicle purchases, making it 4%.	An increase of 1% in the Arkansas sales and use tax on motor vehicle purchases would result in additional annual revenue of approximately $61.8M. This amount would fluctuate from year to year based on vehicle sales volumes.	$61.8 million per year
	Increased license plate fees by 20% on noncommercial vehicles.	Increasing the current motor vehicle registration fees for passenger cars and trucks would result in additional annual revenue of approximately $10.3M.	$10.3 million per year
Utah	Replaced the current gas tax of $0.245/gallon with a 12% tax on the average rack price of a gallon of gas, effective Jan. 1, 2016. For purposes of calculating the fuel, the average rack price cannot fall below $2.45/gallon.	If Arkansas were to replace its current motor fuel tax with a tax structured in the same fashion as the Utah tax, the increased tax collections over the most recent annual fuel tax collections would be $156M per year for both gasoline and diesel. This estimate assumes that the rack price for both gasoline and diesel will remain below $2.45 per gallon for the foreseeable future.	$156 million per year
	$0.06/gallon increase in compressed natural gas & liquefied natural gas tax, gradually over 4 years beginning in 2016.	Based on current consumption levels, a tax increase of 6¢ per gallon would generate additional collections of approximately $60,000 per year.	$60,000 per year
South Carolina	Proposed a $0.10 cent per gallon increase in the fuel tax offset with a corresponding reduction in the income tax.	Each 1¢ increase in the Arkansas fuel tax on gasoline would result in additional revenue of $14.3M based on FY2015 consumption levels. In addition, each 1¢ increase in the Arkansas fuel tax on diesel fuel would result in additional revenue of $6.3M based on FY2015 consumption levels. Although the increased fuel tax revenue would be general revenue to the Highway Department, cities, and counties, the reduction in income tax collections would reduce state general revenues. If gasoline tax was increased by 10¢ the revenue gain would be approximately $143M and a 10¢ increase in diesel tax would yield approximately $63M additional revenue each year based on current fuel consumption levels.	Gasoline tax increase by 10¢ = $143 million/year Diesel tax increase by 10¢ = $63 million/year

ATTACHMENT 6

Discussion Only

Decision Priority Matrix

Existing Revenue	A	B	C	Table for Now
Increase gasoline fuel tax				
Increase diesel fuel tax				
Index gasoline and diesel fuel taxes to inflation				
Increase registration fees				
Increase operator license fees				
Increase alternative fuel tax				
Increase other taxes/fees				
Existing Revenue Allocation	A	B	C	Table for Now
Adjust current revenue distribution allocation (excludes change to current county/city revenue dist.)				
Additional Revenue	A	B	C	Table for Now
Add county bridge and road tax				
Sales tax on gasoline				
Electric/hybrid fee				
Redefine "motor fuel"				
Streamline sales tax				
Eliminate wholesale gasoline distribution discount (shrinkage)				
Re-examine and modify border zone tax rate strategy				
Extend existing bond program				
Allow cities and counties to levy taxes to support local transportation infrastructure				
Operational Changes	A	B	C	Table for Now
Turnback (phased in by year)				
Turnback (phased in by negotiation)				
Strategic roads and highways planning (strategic growth of existing system)				
Increase audit processes for county/city road and street funds				
Establish metro and/or regional toll road authorities similar to NTTA				
Additional Research and Study	A	B	C	Table for Now
Road usage charge program				
Calculate miles driven and cost per mile to maintain to determine balance				
Driver usage estimates by year and demographic group				
P3s				

ATTACHMENT 6

Options to Implement Highway Funding:

1. Legislative Action – Revenue Neutral or New Revenue Source – Simple Majority (51%)
2. Legislative Action – Existing Revenue Increase – Super Majority (75%)
3. Referred Act – Revenue Increase - requires Legislative Action (??)
4. Initiated State Statute – Arkansas Constitution Article 5, Sect. 1, Arkansas Code, Title 7 - 67,887 signatures on petition (8% of last gubernatorial general election)

The various highway interest groups and groups indirectly affected by highway funding decision:

1. Users of Roadways and Payers of Roadway Funding: Arkansas Citizens / Voters

2. Responsible for Funding Roadways and Accountable to Citizens: Governor, State Senators, State Representatives, Mayors, City Councils, Co. Judges and Quorum Courts

3. Other Public Sector Entities Responsible for Maintaining & Constructing Safe, Efficient Roadways: Municipalities and Counties – sales tax & property tax available locally

4. Private Sector Entities Directly Relying on Roadway Funding for Jobs & Economy Development: Assoc. of General Contractors of Arkansas, Arkansas Asphalt Pavement Association, Arkansas Good Roads Foundation, Roadway Construction and Material Supply Companies.

5. Entities Potentially Impacted by Roadway Funding: Higher Education institutions, Arkansas Dept. of Human Services, Arkansas Dept. of Corrections and other agencies receiving state or local taxpayer funding.

6. Private Sector Entities Indirectly Relying on Roadway Funding for Jobs & Economy Development: Arkansas State Chamber of Commerce, Industry, Businesses, Families, EVERYONE!

ATTACHMENT 6

State Highway User Dedicated Revenues:	$670 million
Motor Fuel Taxes:	($431 million) (64%)
Vehicle Registration Fees:	($127 million) (19%)
Natural Gas Severance Tax:	($ 72 million) (11%)
Special Permit Fees:	($ 18 million) (3%)
Storage Tank & Fuel Tax Refunds:	($ 8 million) (1%)
Other Fees & Interest:	($ 13 million) (2%)

Distributions:	
State Highways	($426 million) (64%)
City Streets	($ 87 million) (13%)
County Roads	($ 87 million) (13%)
State-Aid Streets	($ 19 million) (3%)
State-Aid Roads	($ 19 million) (3%)
Constitutional & Fiscal Agencies	($ 21 million) (3%)
Non-Highway Users	($ 12 million) (2%)

General Short-Term Funding Options - $100 million Goal:

Revenue Neutral: Transferring Funds for Roadway Use from Existing Revenues:

1. Transfer Year-End General Fund Surplus: **$?? million;**
2. General Fund Transfer of 4.5% Sales Tax: **$349 million**
   a. New Cars: $150 million;
   b. Used Cars: $ 91 million
   c. Auto Repair, Parts & Service: $ 96 million
   d. Tires: $ 12 million;
3. General Fund Direct Transfer of 1% Sales Tax: **$ 77 million**
   a. New Cars: $ 33 million;
   b. Used Cars: $ 20 million;
   c. Auto Repair, Parts & Service: $ 21 million;
   d. Tires: $ 3 million;
4. Decrease General Fund Revenues and Increase Dedicated Highway Revenues;

Revenue Increase: Creating New or Additional Dedicated Highway Funds:

1. Increase Gas Taxes 1 cent: $13 million;
2. Increase Diesel Taxes 1 cent: $ 6 million;
3. Increase Car Registration Fees $10: $22 million;
4. Increase Sales Tax 1% on:
   a. New Cars: $33 million;
   b. Used Cars: $20 million;
   c. Auto Repair, Parts & Service: $21 million;
   d. Tires: $ 3 million;

ATTACHMENT 6

Short-Term & Long-Term Option – Revenue Neutral Requires Simple Majority (51%):

1. General Fund Transfer of $40 million in 2016, AND
2. Beginning in 2017 Transfer 1% of Current Sales Tax on New Cars, Used Cars, Auto Repair, Parts, Services & Tires & 0.5% every other year thereafter until reaching State Sales Tax level (currently 4.5%); AND
3. Dedicate Road User Sales Tax for State Highways with no local split; AND
4. Dedicate an additional 1 cent in motor fuel tax for Cities and an additional 1 cent in motor fuel tax for Counties to go into effect in 2017; AND
5. Allow current 0.50% Sales Tax for Highways to expire in 2022.

Revenue Increase Based on 2015 Estimates+:

2017:	1%	$ 77 million+;	2025:	3%	$231 million+;
2018:	1%	$ 77 million+;	2025:	3%	$231 million+;
2019:	1.5%	$115 million+:	2026:	3.5%	$270 million+;
2020:	1.5%	$115 million+;	2027:	3.5%	$270 million+;
2021:	2%	$154 million+;	2028:	4%	$309 million+;
2022*:	2%	$154 million+;	2029:	4%	$309 million+;
2023:	2.5%	$193 million+;	2030:	4.5%	$347 million+;
2024:	2.5%	$193 million+;	2031:	4.5%	$347 million+;

Short-Term – Revenue Increase of Existing Source Requires Super Majority (75%):

1. Increase Motor Fuel Tax 8 cents to $0.295 to offset 64% CPI increase since 1999. This raises $160 million with Net of $105 million to State Highways, $25 Million to Cities & Counties each under current formula;
2. Include an Indexing formula tied to the current price of fuel (gas and diesel) that puts an Annual Floor on the fuel tax of the previous year's Floor or the current rate whichever is higher AND an Annual Ceiling of 3% or 1 cent increase whichever is lower;

Good Roads Proposal

Gasoline				
Fiscal Year	Revenue (5 Year Plan)	Rate	Revenue (7 Year Plan)	Rate
Taxable gallons	1,425,775,140			
	$306,541,655.10	0.215	$306,541,655.10	0.215
2016 - 2017	$449,119,169.10	0.315	$449,119,169.10	0.315
2017 - 2018	$420,603,666.30	0.295	$429,158,317.14	0.301
2018 - 2019	$392,088,163.50	0.275	$407,771,690.04	0.286
2019 - 2020	$363,572,660.70	0.255	$387,810,838.08	0.272
2020 - 2021	$335,057,157.90	0.235	$367,849,986.12	0.258
2021 - 2022	$306,541,655.10	0.215	$347,889,134.16	0.244
2022 - 2023			$326,502,507.06	0.229
2023 - 2024			$306,541,655.10	0.215

Diesel				
Fiscal Year	Revenue (5 Year Plan)	Rate	Revenue (7 Year Plan)	Rate
Taxable gallons	629,764,007			
	$141,696,901.58	0.225	$141,696,901.58	0.225
2016 - 2017	$204,673,302.28	0.325	$204,673,302.28	0.325
2017 - 2018	$192,078,022.14	0.305	$195,856,606.18	0.311
2018 - 2019	$179,482,742.00	0.285	$186,410,146.07	0.296
2019 - 2020	$166,887,461.86	0.265	$177,593,449.97	0.282
2020 - 2021	$154,292,181.72	0.245	$168,776,753.88	0.268
2021 - 2022	$141,696,901.58	0.225	$159,960,057.78	0.254
2022 - 2023			$150,513,597.67	0.239
2023 - 2024			$141,696,901.58	0.225

Phase-in of General Revenue Transfer		
Sales and Use Tax on Motor Motor Vehicles		
Fiscal Year	**5 Year**	**7 Year**
2017 - 2018	$60.8 M	$43.4 M
2018 - 2019	$125.2 M	$89.5 M
2019 - 2020	$193.5 M	$138.2 M
2020 - 2021	$265.7 M	$189.8 M
2021 - 2022	$342.2 M	$244.4 M
2022 - 2023		$302.1 M
2023 - 2024		$363.0 M

Net Additional Revenue from 5-Year Phase-out of 10¢ tax on Gasoline and Diesel and 5-Year Phase-in of General Revenue Transfer			
Fiscal Year	**Gas & Diesel**	**General Revenue Transfer**	**Net New Highway Funds**
2016 - 2017	$205 M	$0 M	$205 M
2017 - 2018	$ 164 M	$60.8 M	$224.8 M
2018 - 2019	$123 M	$125.2 M	$248.2 M
2019 - 2020	$82 M	$193.5 M	$275.5 M
2020 - 2021	$41 M	$265.7 M	$306.7 M
2021 - 2022	$0 M	$342.2 M	$342.2 M

Net Additional Revenue from 7-Year Phase-out of 10¢ tax on Gasoline and Diesel and 7-Year Phase-in of General Revenue Transfer			
Fiscal Year	**Gas & Diesel**	**General Revenue Transfer**	**Net New Highway Funds**
2016 - 2017	$205 M	$0 M	$205 M
2017 - 2018	$ 175.8 M	$43.4 M	$219.2 M
2018 - 2019	$146.5 M	$89.5 M	$236.0 M
2019 - 2020	$117.2 M	$138.2 M	$255.4 M
2020 - 2021	$87.9 M	$189.8 M	$277.7 M
2021 - 2022	$58.6 M	$244.4 M	$303.0 M
2022 - 2023	$29.3 M	$302.1 M	$331.4 M
2023 - 2024	$0 M	$363.0 M	$363.0 M

Draft of Specific Proposals

Draft Package A

- Increase fuel taxes by $0.10 immediately.
- Begin transferring the general revenue portion of the sales and use tax collected on the sale of motor vehicles over a 5 or 7 year period.
- Decrease the fuel tax proportionally over that same 5 or 7 year period.
- Index the fuel tax to the Construction Cost Index.
- Increase vehicle registration fees on Class 1, 2, 3 passenger cars and Class 1 trucks to the average of our surrounding states.

Draft Package B

- Redirect $4M in diesel tax from general revenue to Highways.
- Eliminate the deduction for 1/2 sales tax going to State Central Services and Constitutional Officers Fund.
- Create a sales tax rebate for road construction materials.
- Use Desegregation funds for revenue neutral action, once the desegregation payments end.

Draft Package C

- Increase the fuel tax by $0.05 each year for three years.

Potential Mechanisms to Address Highway Funding Issues

Timeframe for Implementing this Mechanism

Sustainability	Short Term	Medium Term	Long Term	Additional Study
Index gasoline and diesel fuel taxes	X			
Tax alternative fuels an a rate equivalent to traditional fuels	X			
Tax electric vehicles at a rate equivalent to traditional vehicles	X			

Existing Revenues	Short Term	Medium Term	Long Term	Additional Study
Shift General Revenue to Roads				
Modify or eliminate the 3.2% deduction off the 1/2 sales tax.	X			
Desegregation funding: shift the funding to highways once payments are ended				
Modify or eliminate the wholesale gasoline distribution discount	X			
Modify or eliminate border zone tax rates for fuel	X			
Extend the existing tax/bond program				
Shift any internet sales tax to highways				

New Revenues	Short Term	Medium Term	Long Term	Additional Study
Increase the gasoline fuel tax	X			
Increase the diesel fuel tax	X			
Eliminate the current sales tax exemption for fuel	X			
Increase vehicle registration fees	X			
Increase license fees	X			
Increase other taxes/fees	X			
Create a county bridge and road tax				
Toll roads				X
Vehicle Miles Traveled				X
Road usage charge program				X

Reforms / Operational Items	Short Term	Medium Term	Long Term	Additional Study
Adjust the 70/30 revenue split on new revenues	X			
Reduce the number of state highway miles				
Allow cities and counties to levy additional taxes to support local transportation infrastructure				
Strategic roads and highways planning (strategic growth of existing system)				
Increase accountability for county/city road and street fund	X			
Establish metro and/or regional toll road authorities similar to NTTA				X
Public Private Partnerships				X

Additional Options				
Make any tax increase revenue neutral	X			
Refer part or all of the proposal to the voters				

Other State's Mechanism for Addressing Highway Funding Issues

Timeframe for Implementing this Mechanism

South Carolina	**Short Term**	**Medium Term**	**Long Term**	**Additional Study**
$0.10/gallon increase in the gas tax				
$0.10/gallon increase in the diesel tax				
Reduce the state income tax				

Georgia	**Short Term**	**Medium Term**	**Long Term**	**Additional Study**
Fuel tax				
Permit counties and municipalities to impose a $0.03/gallon excise tax.				
Heavy trucks: Pay an annual highway impact fee of $50 to $100 depending on the weight of the vehicle.				
Noncommercial electric vehicles: Pay a $200-per-year fee.				
Commercial electric vehicles: Pay a $300-per-year fee.				
Hotels and motels: $5 per night fee.				

South Dakota	**Short Term**	**Medium Term**	**Long Term**	**Additional Study**
$0.06/gallon increase in gas tax				
$0.06/gallon increase in diesel tax				
1% added to the excise tax on vehicle purchases, making it 4%.				
Increased license plate fees by 20% on noncommercial vehicles.				

Utah	**Short Term**	**Medium Term**	**Long Term**	**Additional Study**
Replaced the current gas tax of $0.245/gallon with a 12% tax. (Floor at $2.45/gallon)				
$0.06/gallon increase in CNG & LNG tax, phased in over 4 years				