

Governor's Working Group on Highway Funding

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So How Did We Get Here?

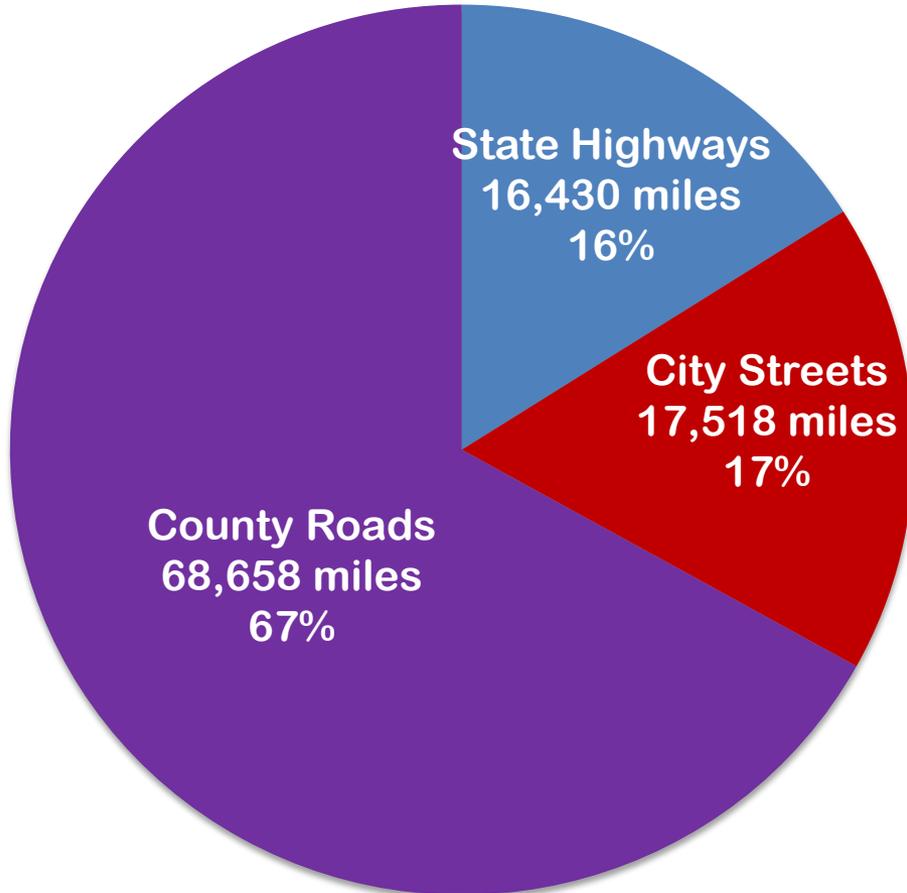


- State Highways
 - 16,430 miles
 - 7,335 bridges
 - **25.1 billion vehicle miles traveled**
- County Roads
 - 68,658 miles
 - 4,304 bridges
 - **3.3 billion vehicle miles traveled**
- City Streets
 - 17,518 miles
 - 1,007 bridges
 - **5.6 billion vehicle miles traveled**

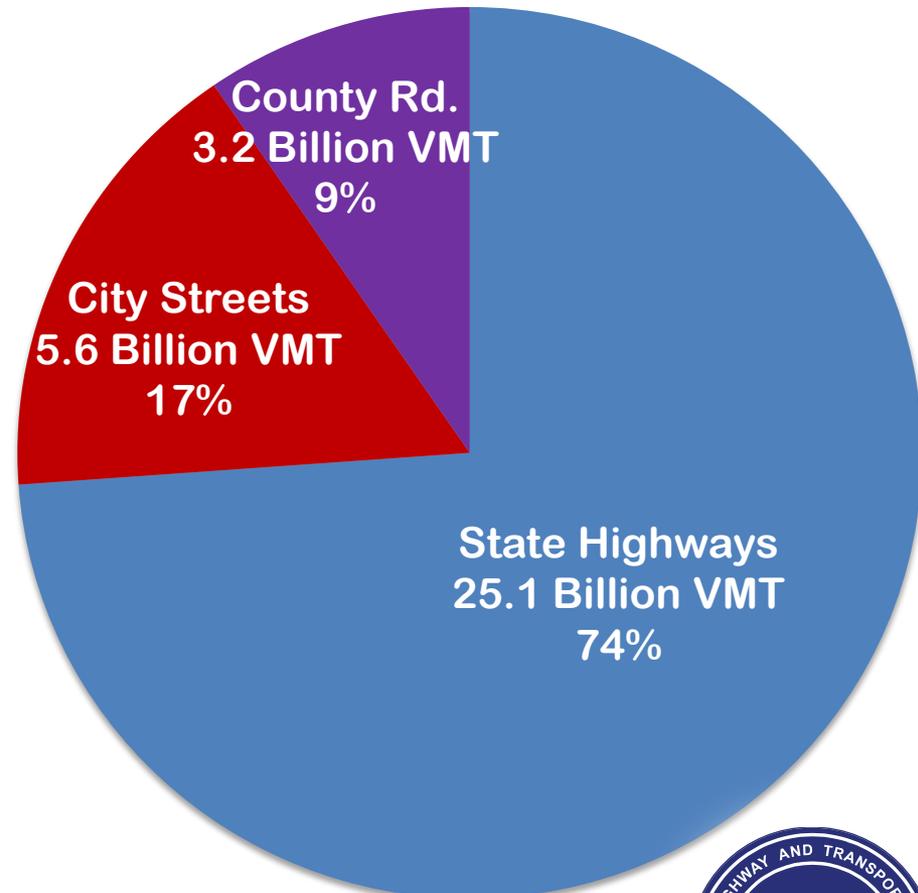


State Highways, County Roads, City Streets Comparison

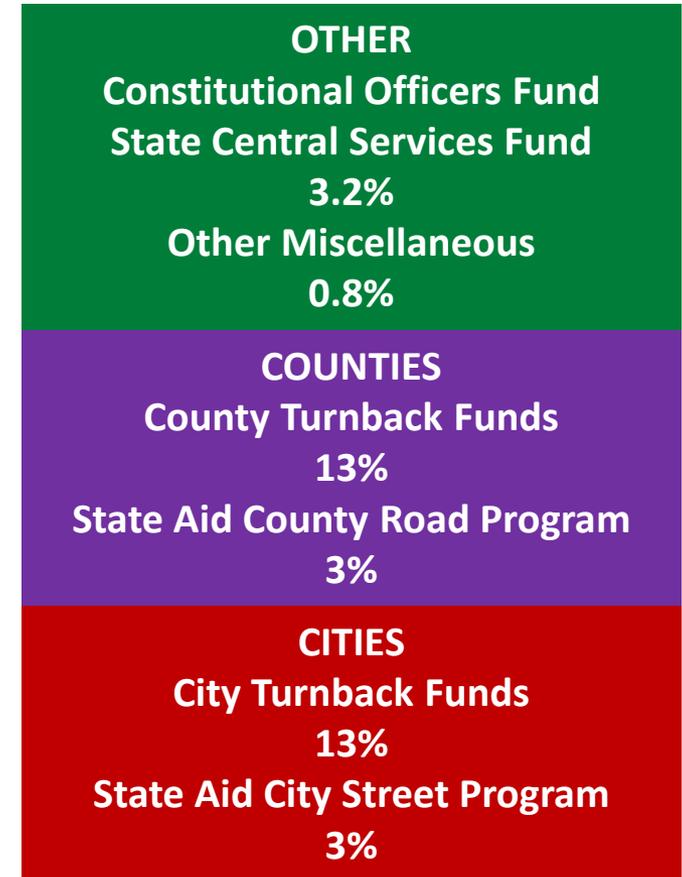
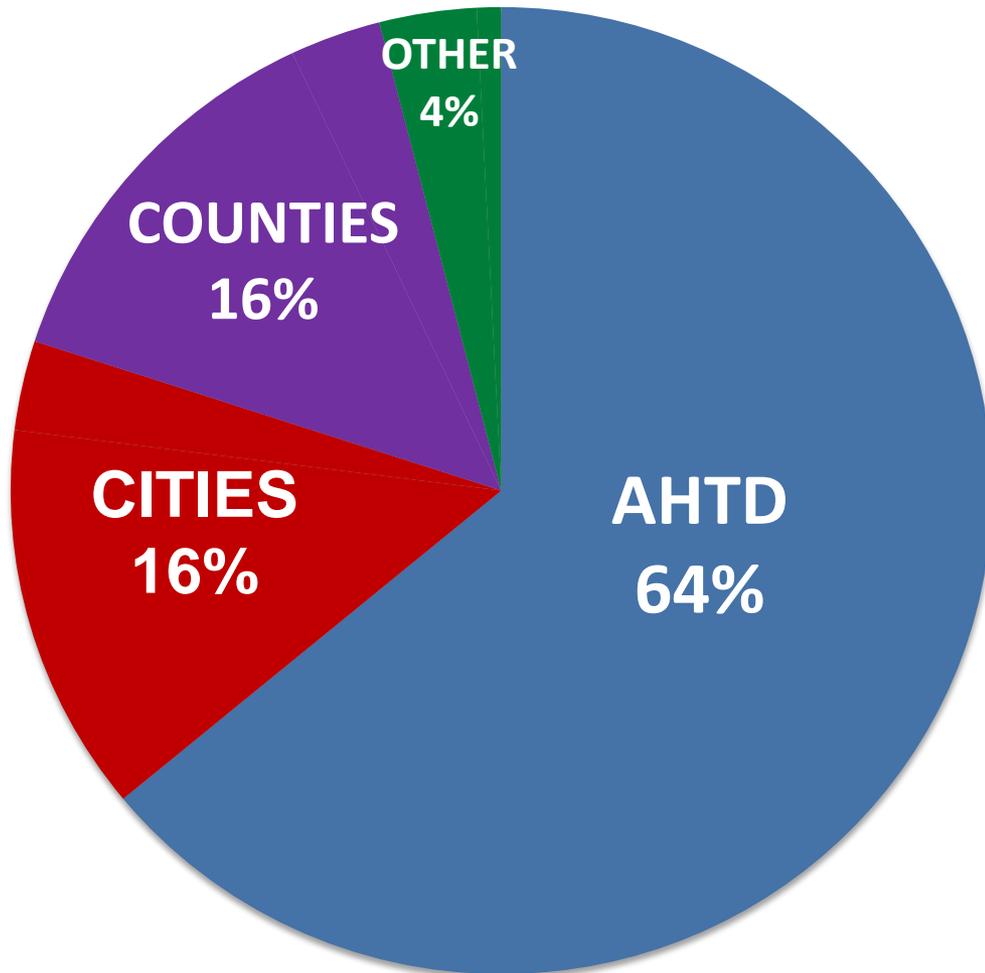
MILES



VEHICLE MILES TRAVELED (VMT)



Highway User Revenue Distribution



So How Did We Get Here?



- **Federal Funding Uncertainty**

- Moving Ahead for Progress in the 21st Century

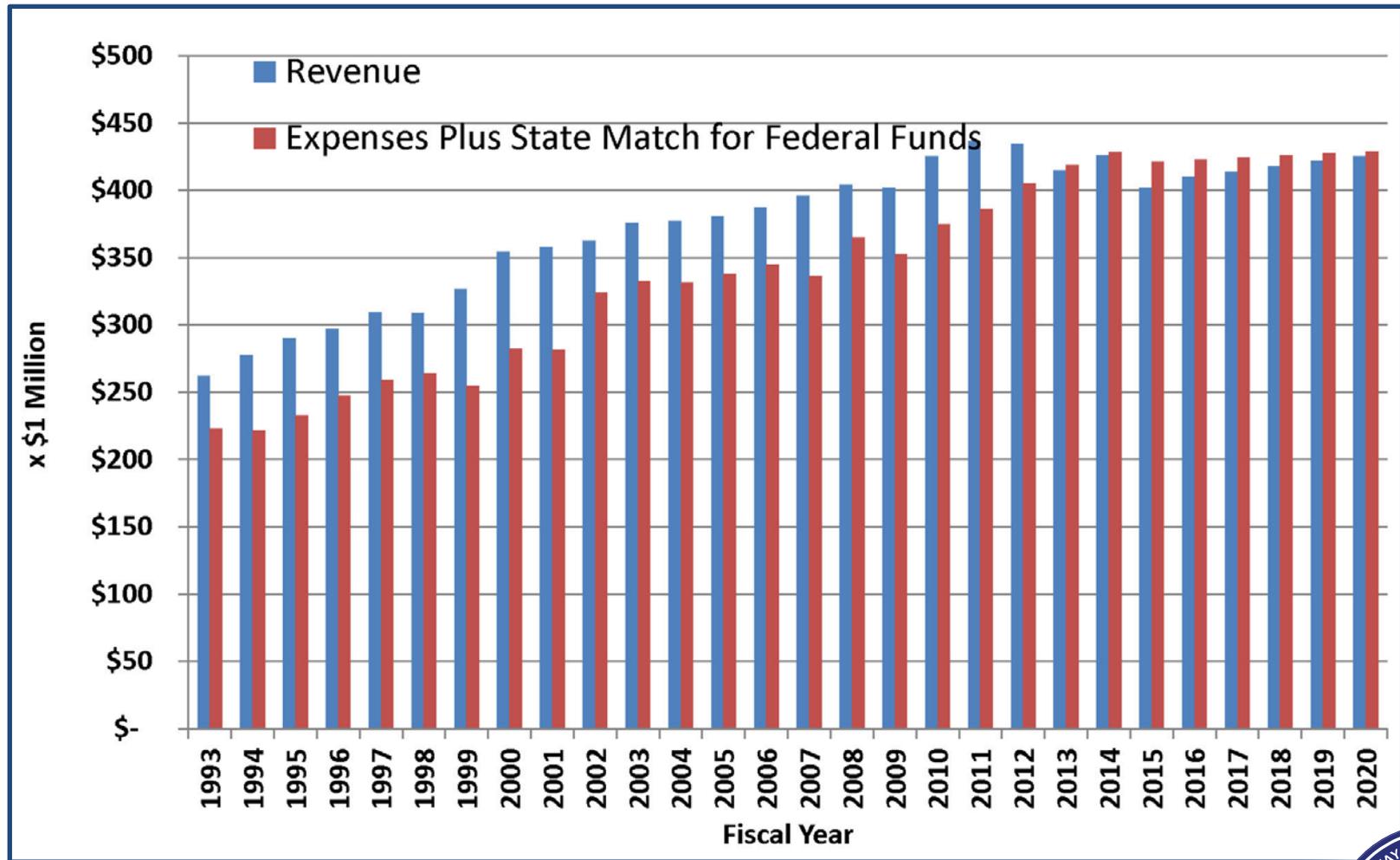
- Highway Trust Fund Shortfall

- Delayed 75 projects totaling \$335 Million
- No 2015 Overlay Program

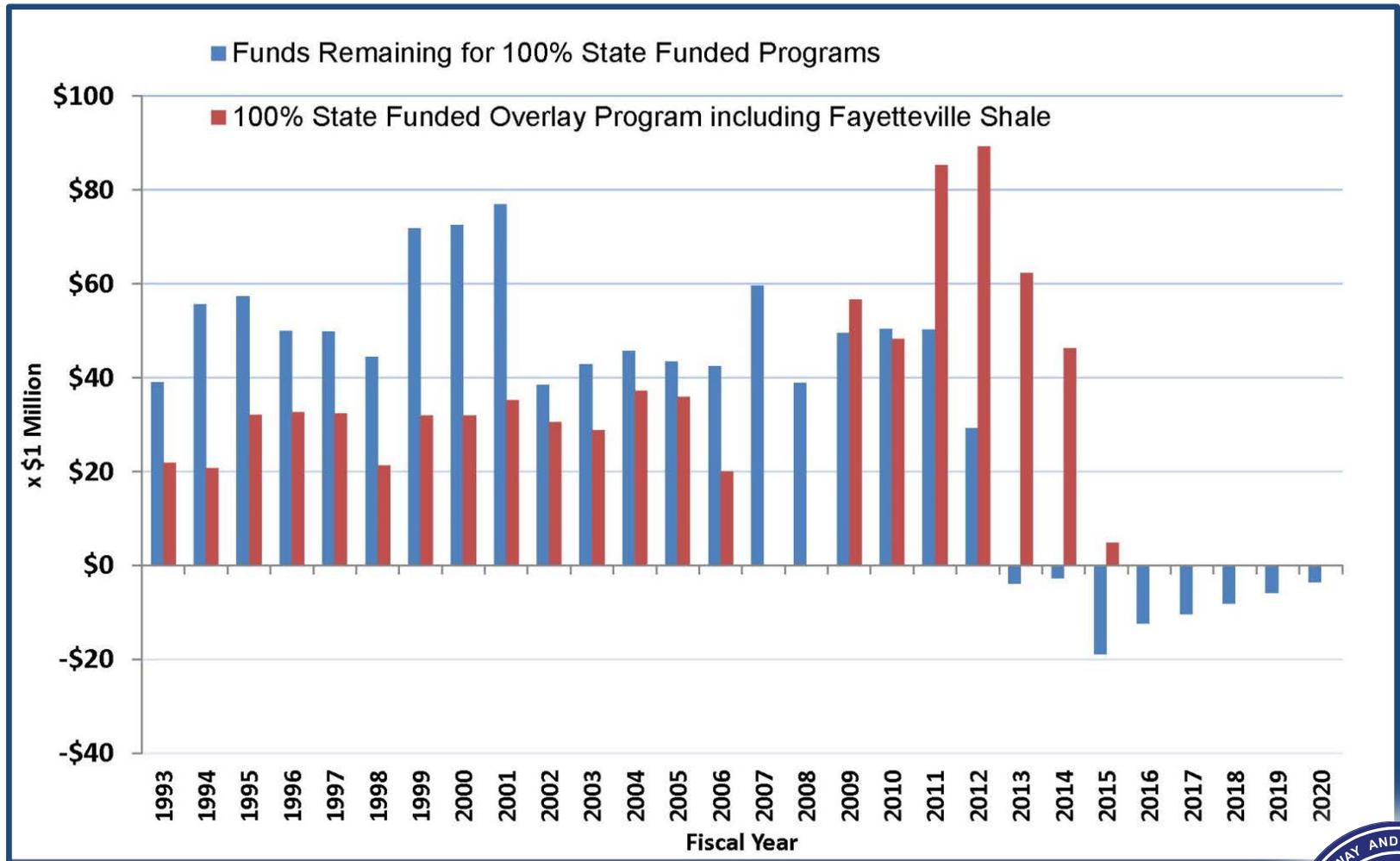
- Inability to Match Federal-aid



Future State Funds Available to Match Federal Funds



Future State Funds Available for Overlay Programs



So How Did We Get Here?



- **For State Highways over the Next 10 Years**
 - **\$20.4 Billion in Needs & Capital Improvements**
 - **\$ 3.6 Billion in Revenue Anticipated**
 - **\$16.8 Billion Shortfall**



System Preservation Needs

NEEDS CATEGORY	COST (x \$1 M)
SYSTEM PRESERVATION	
Pavement	3,060
Bridges	1,102
CAPACITY	2,880
SAFETY	700
MAINTENANCE	
Equipment	180
Facilities	62
ITS	27
TOTAL	\$ 8,011



Future Interstates

Capital Improvements for Economic Development

Future Interstate	COST (x \$1 M)
Interstate 49	2,700
Interstate 69	3,500
Interstate 555	50
TOTAL	\$ 6,250



Summary Capital Improvements for Economic Development

IMPROVEMENT CATEGORY	COST (x \$1 M)
Four-Lane Grid System	
High Priority Corridors (Future Interstates)	6,250
High Priority Corridors (Other)	2,250
Remaining Four-Lane Grid	2,000
Other Regional Connections	500
Economic Development Connections	300
New Location Routes / New or Modified Interchanges	820
Other Major Widening	230
TOTAL	\$ 12,350



In Summary....

- For State Highways over the Next 10 Years
 - \$20.4 Billion in Needs & Capital Improvements
 - \$ 3.6 Billion in Revenue Anticipated
 - **Additional Revenue is Needed!!!**
 - **BUT WHAT IS REALISTIC?**



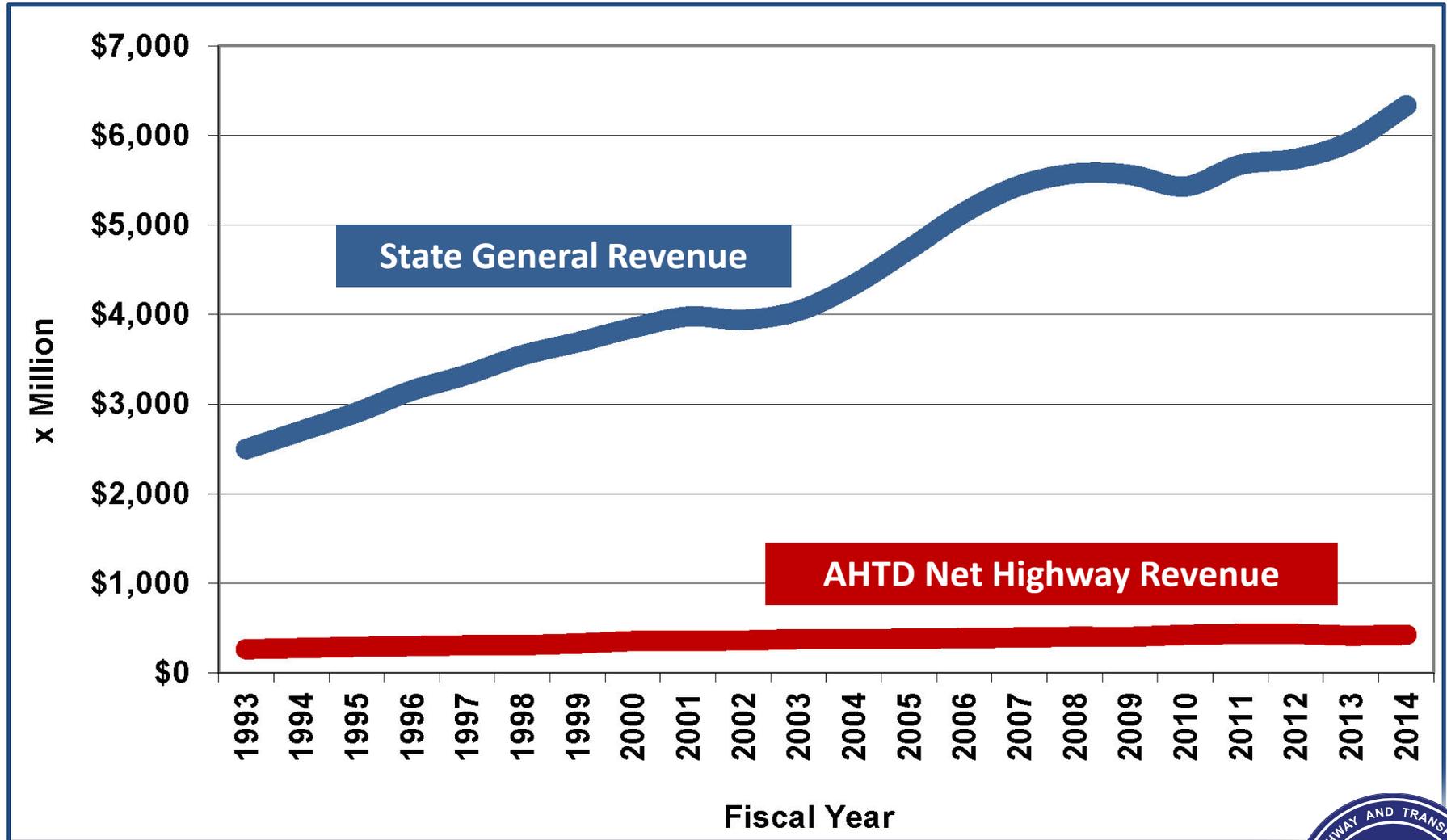
So How Did We Get Here?

 **Costs**

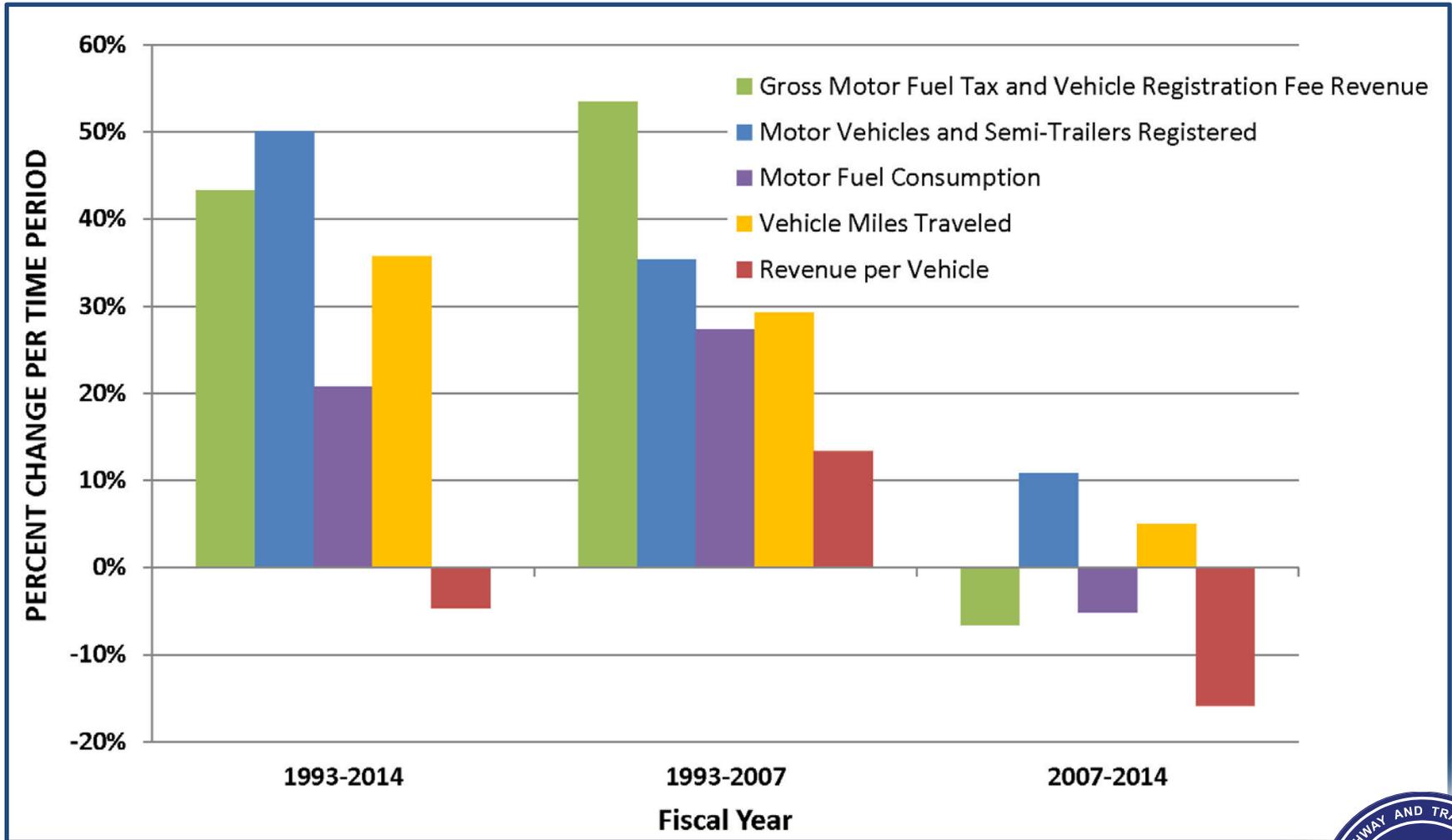
 **Revenue**



State General Revenue vs AHTD Net Highway Revenue



TRAVEL TRENDS



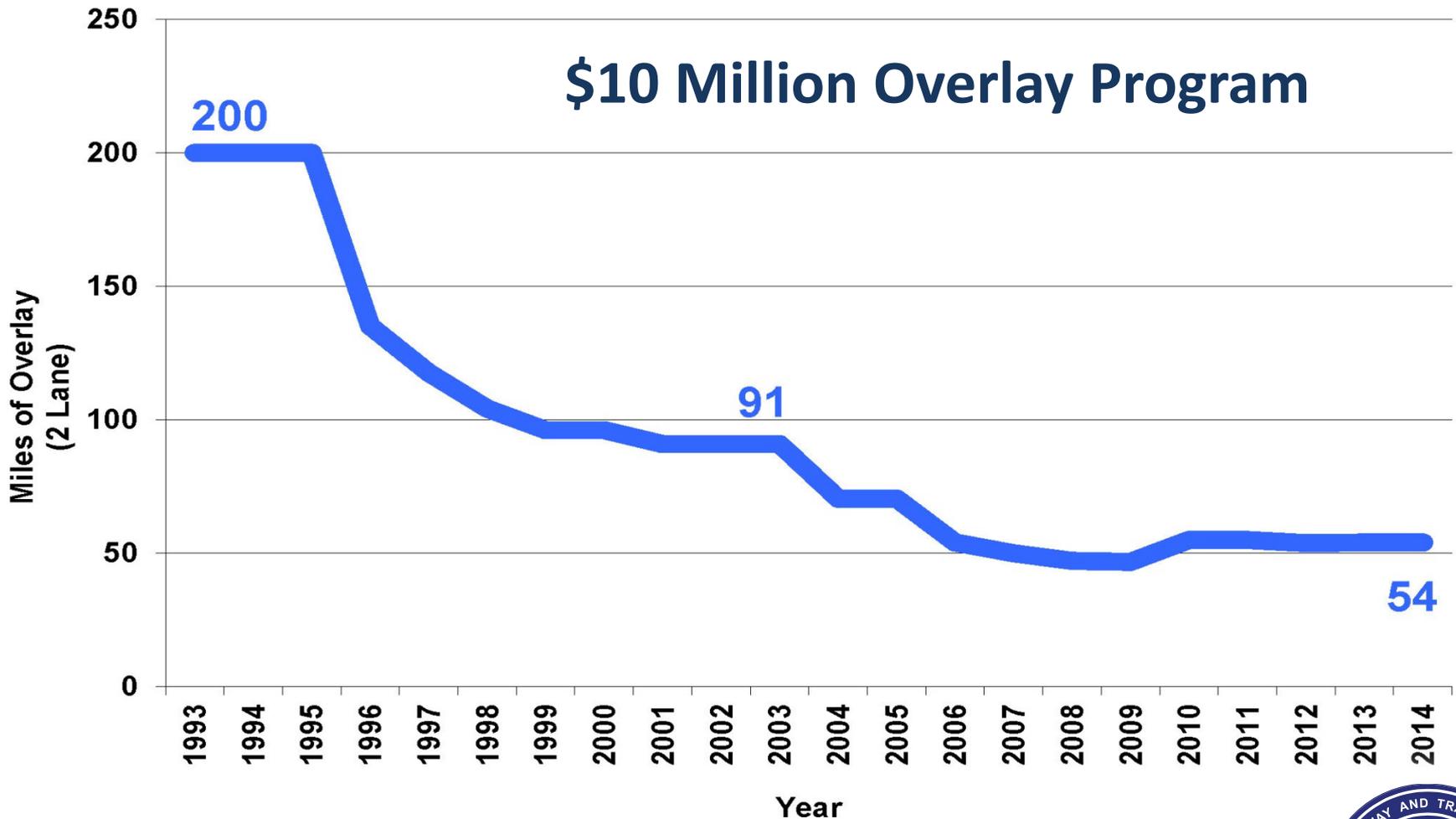
Analysis of Revenue vs Expenses 1993-2014

	Percent Increase
Revenue	63%
Expenses	83%
Construction Cost Index	181%
Consumer Price Index	64%

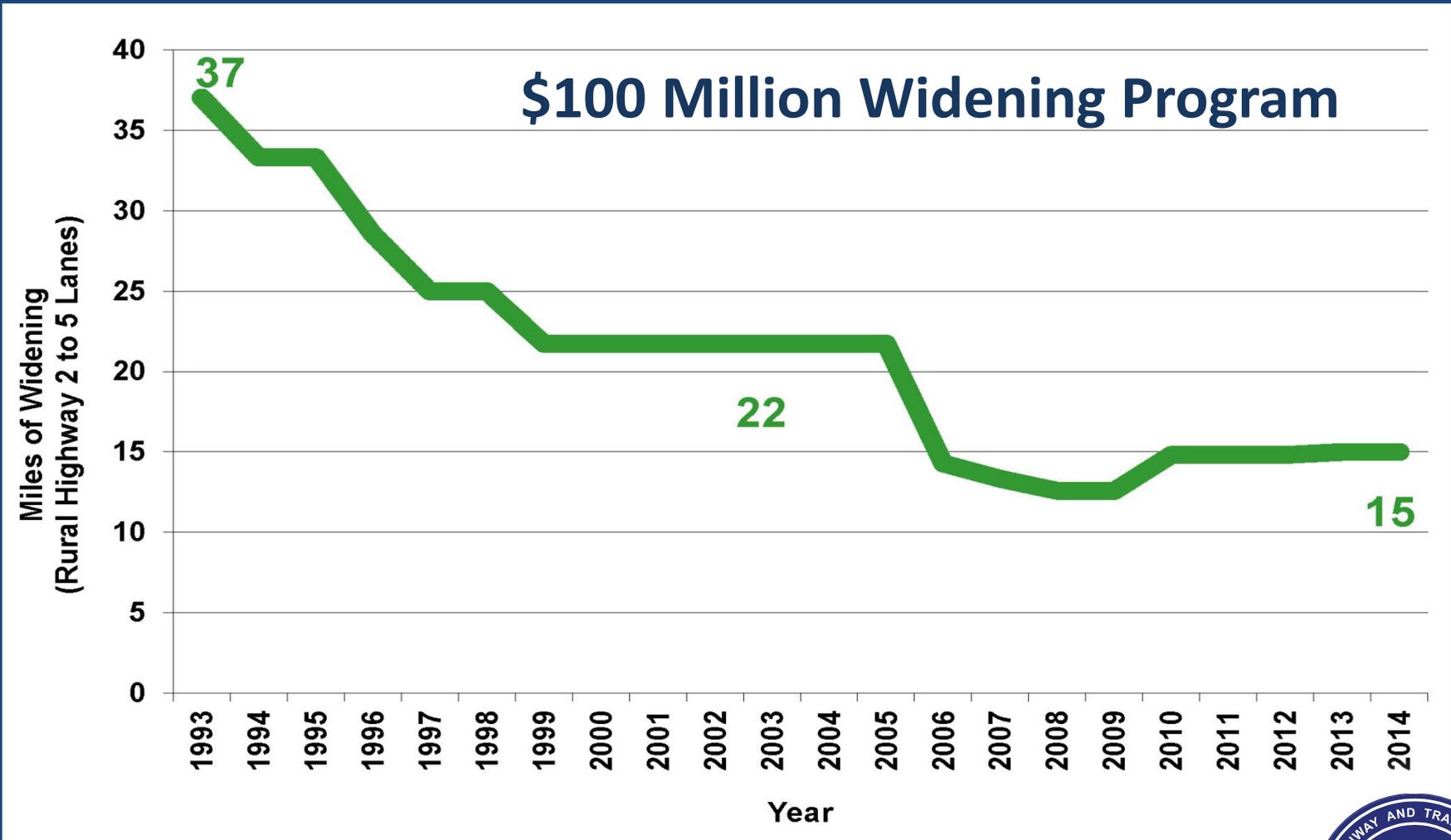


The Shrinking Highway Dollar

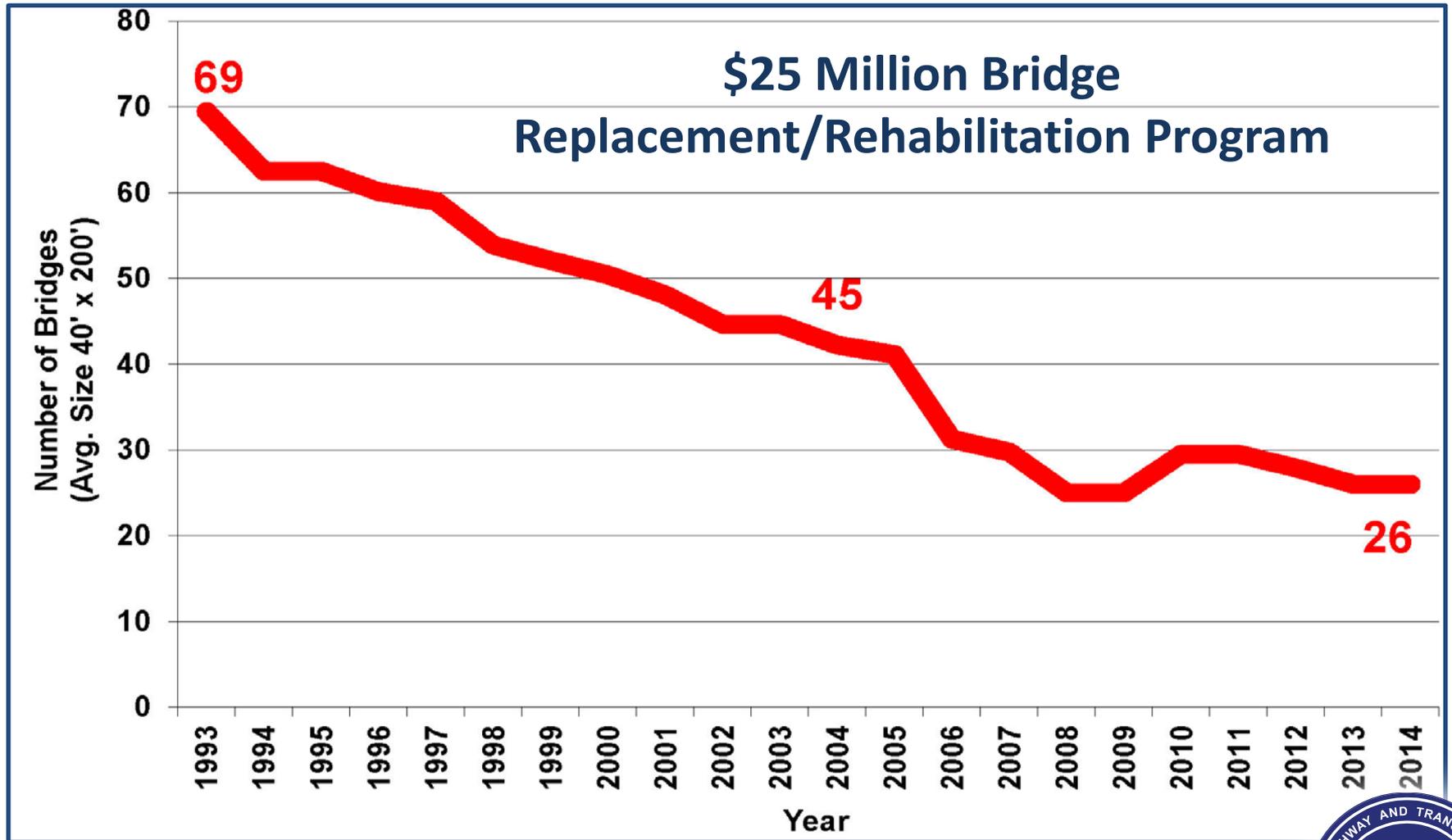
\$10 Million Overlay Program



The Shrinking Highway Dollar



The Shrinking Highway Dollar



SIGNIFICANT LOSS OF PURCHASING POWER

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

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

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





Blue Ribbon
Committee
on Highway Finance
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



Blue Ribbon Committee

Funding Recommendations

APPROVED

Reissue GARVEE Bonds for Interstate Rehabilitation Program

APPROVED

State Aid Programs 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



Blue Ribbon Committee

Funding Recommendations

- Indexing the Current Per-Gallon Tax on Motor Fuels to Arkansas' Construction Cost Index
- Implementing a New Excise Tax on the Wholesale Price of Motor Fuels



Blue Ribbon Committee

Legislation Recommendations

- Requiring Annual Reporting on the use of City and County Turnback Funds
- Requiring a Minimum Tax Effort before a County or Cities within that County can receive Additional Turnback Funds
- Referring a Constitutional Amendment to Allow Counties to Raise the 3-mill Limit on their Road Tax by a Vote of the People
- Modifying Current Laws for Regional Mobility Authorities and Multi-County Taxing Authorities

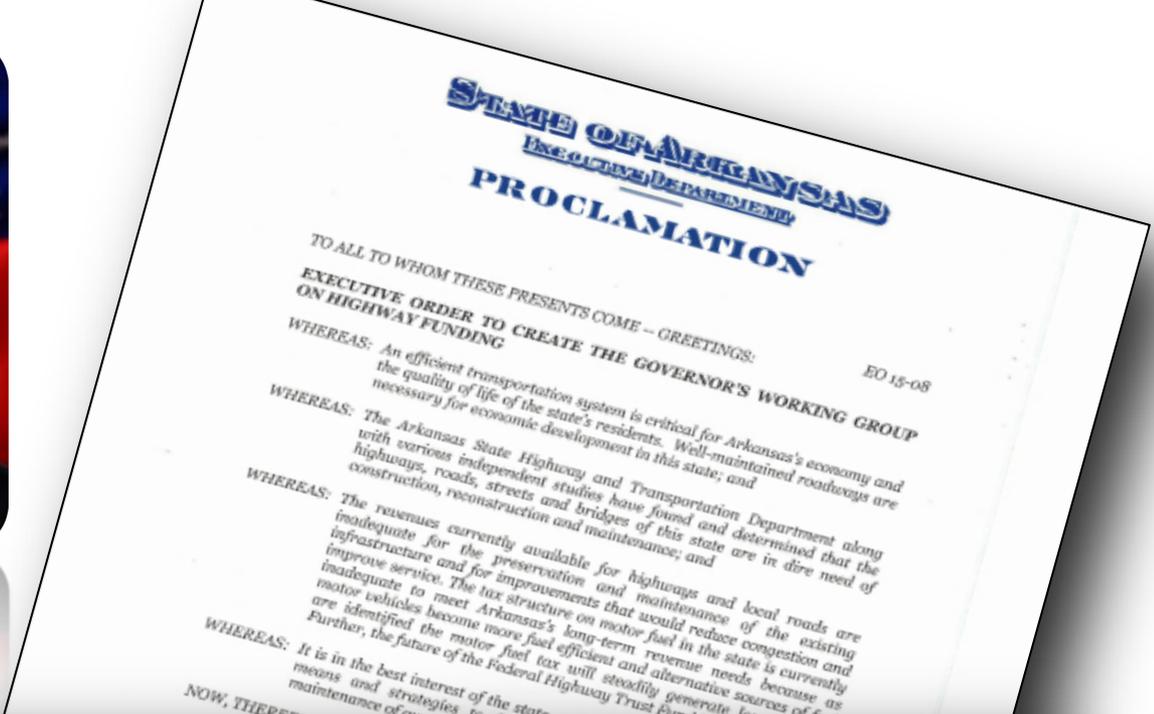


Blue Ribbon Committee

Study Recommendations

- Heavy Truck Cost Allocation Study
- Vehicle Registration and License Fee Study
- State Highway System Reduction Study
- Study the Possible Creation of Regional Transportation Districts
- Vehicle Miles Traveled (VMT) Tax Study
- Public Private Partnerships and Tolling Monitoring





“I think everything is on the table.”



STATES HAVE LONG RELIED ON VARIOUS REVENUE SOURCES TO INVEST IN TRANSPORTATION

- **Fuel Taxes** (all states + DC + PR); 6 index; largest single source of highway funds used by half the states
- **Sales Taxes on Fuel, or Other Taxes on Distributors or Suppliers** (14 states + PR)
- **Motor Vehicle or Rental Car Sales Taxes** (29 states)
- **Vehicle Registration, License or Title Fees** (48 states + PR)
- **Vehicle or Truck Weight Fees** (37 state)
- **Tolls** (24 states + PR, plus non-state toll entities)
- **General Funds** (34 states + DC)
- **Interest Income** (37 states + DC + PR)

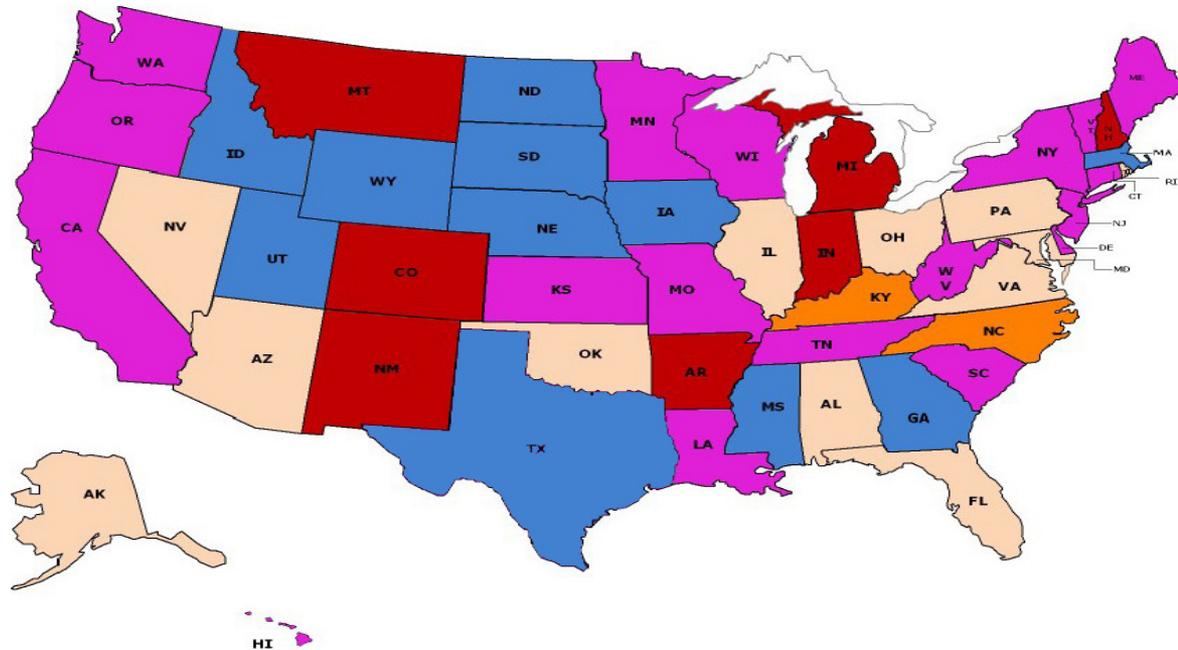


STATES ALSO UTILIZE VARIOUS FINANCING TOOLS TO ACCELERATE PROJECT DELIVERY

- **General Obligation or Revenue Bonds** (44 states + DC + PR)
- **GARVEE Bonds** (33 states + DC + PR)
- **Private Activity Bonds** (6 states)
- **TIFIA Federal Credit Assistance** (12 states + PR)
- **State Infrastructure Banks** (34 states + PR)
- **Public Private Partnerships** (authorized in 33 states + PR)
- **Design-Build** (authorized in 38 states + PR)



Other States Transportation Funding Initiatives in 2015



- Legislation to Increase Revenue Approved
- Non-Funding Legislation approved
- Initiative pending
- Initiative failed
- Ballot Measure Pending
- * Several measures are in varying stages. View state breakdown for more info.



STATE TRANSPORTATION REVENUE INITIATIVES

(Successful States Underlined)

- **Raising Fuel Taxes:** California, Georgia, Iowa, Idaho, Indiana, Kansas, Michigan, Missouri, Montana, Nebraska, New Jersey, New Mexico, North Carolina, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wyoming
- **Directing Gas Tax Proceeds to Direct Transportation uses:** California, Connecticut, Louisiana, Massachusetts, New Hampshire, New Jersey, New Mexico, North Carolina, Texas
- **Increased Bonding Authority:** Colorado, Connecticut, Georgia, Maine, Massachusetts, Minnesota, Mississippi, New Mexico, New York, North Carolina, Washington, Wisconsin
- **State Sales Tax for Transportation:** Kentucky, Louisiana, Michigan, Minnesota, West Virginia



STATE TRANSPORTATION REVENUE INITIATIVES

(Successful States Underlined)

- **Sales Taxes on Fuel, or Other Variable Taxes/Fees:** Georgia, Hawaii, Iowa, Michigan, Minnesota, Missouri, New Jersey, South Carolina, South Dakota, Utah, Washington
- **Vehicle Registration Fees:** California, Delaware, Idaho, Minnesota, North Carolina, Texas, Utah
- **Vehicle Miles Traveled (VMT) Fee:** Tennessee
- **Transferring General Funds:** Arkansas, Idaho, Indiana, Minnesota, New Jersey, North Dakota, South Carolina, Texas, Washington
- **Framework to Study a VMT Fee:** Arkansas
- **Special Fees or Taxes for Electric or Alternative Fuel Vehicles:** Arkansas, Georgia, Idaho, Massachusetts, New Jersey, West Virginia



SOME COMMON THEMES BEHIND STATE SUCCESS STORIES

- Needs are reasonable and relatable to the public
- Potential benefits of investment are clear
- Political leadership from the executive branch
- Broad coalition of supporters beyond self-interested groups



Illustratively, Increasing State Highway User Revenue Would Not Present an Unreasonable Burden

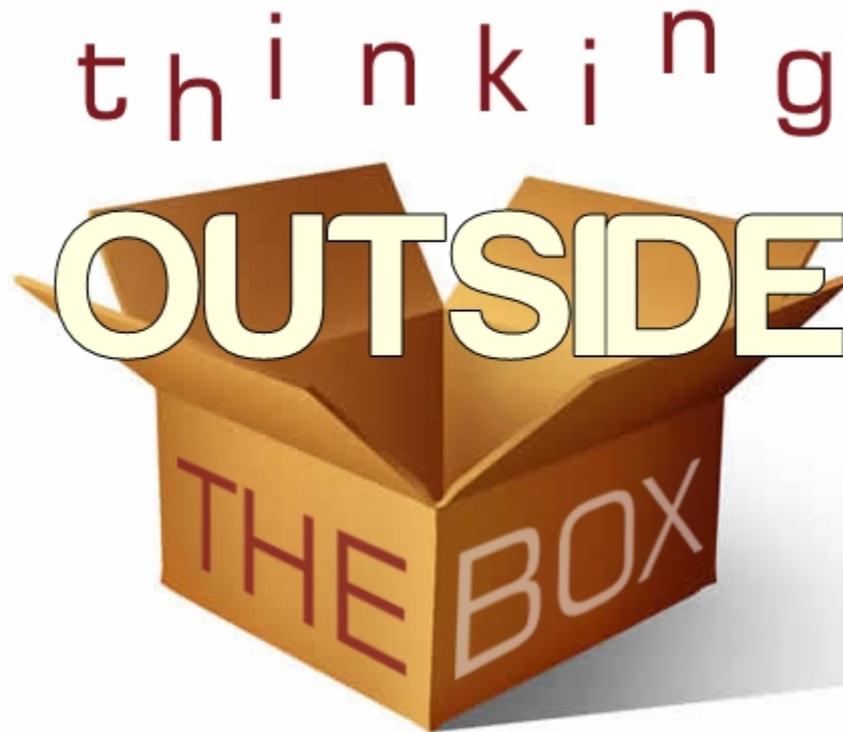
- Average Arkansas household pays \$40.71 in federal and state gas tax per month. This is less than per monthly cost of:
 - Electricity and gas: \$160
 - Cell phone: \$161
 - Cable and internet access: \$124
- For example, a 10-cent increase in the State's gas tax translates to \$1.15 more for the average driver per week and would generate \$200 million per year in additional revenue for State Highways, County Roads and City Streets.



Collaboration



Innovation



Collaboration + Innovation = Solutions!

- Collaboration
- Innovation
- Flexibility
- Engage Stakeholders
- Scalability
- Don't Reinvent the Wheel



Don't reinvent the
wheel,
just realign it.

(Anthony J. D'Angelo)



REVENUE MENU

	TOTAL STATE REVENUE	NET REVENUE AMOUNT ¹	YEARLY AMOUNT TO AHTD (70%)	YEARLY AMOUNT TO CITIES ² (15%)	YEARLY AMOUNT TO COUNTIES ³ (15%)
A. Highway-user Sources					
Additional 1 cent Motor Fuel Tax					
1 cent motor fuel tax ⁷	20.01 M	19.35 M	13.54 M	2.90 M	2.90 M
1 cent gasoline tax	13.96 M	13.49 M	9.45 M	2.02 M	2.02 M
1 cent diesel tax	6.05 M	5.85 M	4.10 M	0.88 M	0.88 M
Increase Registration Fees on:					
Autos and Pickups by \$10	23.20 M	22.43 M	15.70 M	3.36 M	3.36 M
In-State Trucks by \$150 (except pickups)	11.63 M	11.25 M	7.87 M	1.69 M	1.69 M
In and Out-of-State <u>Heavy</u> Trucks from \$1,350 to \$1,500 ⁸	4.82 M	4.66 M	3.26 M	0.70 M	0.70 M
Remove Sales Tax Exemption on Motor Fuels (wholesale price of \$2.75 per gallon) ^{9,10}	247.60 M	239.42 M	167.60 M	35.91 M	35.91 M
Gasoline	172.70 M	167.00 M	116.90 M	25.05 M	25.05 M
Diesel	74.90 M	72.43 M	50.70 M	10.86 M	10.86 M
Add 1% Excise Tax to Motor Fuels (wholesale price of \$2.75 per gallon) ^{9,10}	55.02 M	53.21 M	37.24 M	7.98 M	7.98 M
Gasoline	38.38 M	37.11 M	25.98 M	5.57 M	5.57 M
Diesel	16.64 M	16.10 M	11.27 M	2.41 M	2.41 M
Transfer 4.50% Sales Tax on: ¹⁰					
New Vehicles	154.89 M	149.78 M	104.84 M	22.47 M	22.47 M
Used Vehicles	93.66 M	90.57 M	63.40 M	13.59 M	13.59 M
Auto Repair, Parts, and Services ¹¹	99.04 M	95.77 M	67.04 M	14.37 M	14.37 M
Retail Tire Sales ¹²	12.84 M	12.41 M	8.69 M	1.86 M	1.86 M
Off Road Diesel Fuel	10.20 M	9.86 M	6.90 M	1.48 M	1.48 M
Add 1% Surcharge on:					
New Vehicles	34.42 M	33.28 M	23.30 M	4.99 M	4.99 M
Used Vehicles	20.81 M	20.13 M	14.09 M	3.02 M	3.02 M
Auto Repair, Parts, and Services ¹¹	22.01 M	21.28 M	14.90 M	3.19 M	3.19 M
Retail Tire Sales ¹²	2.85 M	2.76 M	1.93 M	0.41 M	0.41 M
Off Road Diesel Fuel	2.27 M	2.19 M	1.53 M	0.33 M	0.33 M
Weight Distance Tax (1 cent per mile) ¹³	33.96 M	32.84 M	22.99 M	4.93 M	4.93 M
\$1 Battery Fee	0.58 M	0.56 M	0.39 M	0.08 M	0.08 M
\$1 Tire Fee	2.53 M	2.45 M	1.71 M	0.37 M	0.37 M
B. Non Highway-user Sources					
Increase General Sales and Use Tax - 1%	472.11 M	456.53 M	319.57 M	68.48 M	68.48 M
Increase Income Tax - 1%	30.25 M	29.25 M	20.48 M	4.39 M	4.39 M
Individual Income Tax	26.50 M	25.62 M	17.93 M	3.84 M	3.84 M
Corporate Income Tax	3.75 M	3.63 M	2.54 M	0.54 M	0.54 M



Just when you think things couldn't get worse.....



Let's Get Started!!!!



Questions?

