

MINUTES
SENATE INTERIM COMMITTEE ON TRANSPORTATION, TECHNOLOGY
AND LEGISLATIVE AFFAIRS
HOUSE INTERIM COMMITTEE ON PUBLIC TRANSPORTATION

Wednesday, December 17, 2014

The Senate Interim Committee on Transportation, Technology & Legislative Affairs and the House Interim Committee on Public Transportation met jointly on Wednesday, December 17, 2014, at 2:00 p.m., in Room A of the MAC Building, in Little Rock, Arkansas.

Committee members in attendance: Senators Bill Sample, Senate Chair, and Bobby J. Pierce. Representatives Jonathan Barnett, House Chair; Walls McCrary, Vice Chair; Andy Davis, Jim Dotson, Dan M. Douglas, Fonda Hawthorne, Mary P. “Prissy” Hickerson, David Hillman, Mike Holcomb, George B. McGill, Josh Miller, John Payton, Warwick Sabin and David Whitaker.

Other legislators in attendance: Senator Bruce Holland; Representatives David L. Branscum and Sue Scott.

The meeting was called to order by Representative Jonathan Barnett, Co-Chair. Representative Barnett introduced Senators-Elect Scott Flippo, Blake Johnson and Linda Collins-Smith; Representatives-Elect Mary Bentley, Charles Blake, Karilyn Brown, Lance Eads, Lanny Fite, Mickey Gates, Justin Gonzales, Bob Johnson, Jack Ladyman, Ron McNair, Milton Nicks, Rebecca Petty, Mathew Pitsch, Marcus E. Richmond, Brandt Smith, James J. Sorvillo, Nelda Speaks, James Sturch, Dwight Tosh and Clarke Tucker.

Representative Barnett welcomed Arkansas Highway Commissioners Dick Trammel, Vice Chairman, Tom Schueck and Frank Scott.

Consideration to Approve Minutes of March 11, March 12, April 21 and April 22, 2014, [Exhibits C1-C4]

Senator Sample made a motion to approve the March 11, March 12, April 21 and April 22, 2014, meeting minutes and Representative Douglas seconded the motion. The motion passed without objection.

Report from the Intermodal Transportation and Commerce Task Force, as required by Act 1430 of 2013 [Exhibit D]

The Intermodal Transportation and Commerce Task Force report was presented and reviewed by Senator Bruce Holland and Representative Jonathan Barnett, Task Force Chairs; Gene Higginbotham, Executive Director, Arkansas Waterways Commission (AWC); and Scott Bennett, Director, Arkansas Highway and Transportation Department (AHTD). Representative Barnett discussed the progress of the Task Force in the areas of intermodal transportation, aviation, waterways, and global economic development. The report contains specific recommendations to extend the Task Force and increase the membership. Senator Holland addressed the need for additional study and recommendations by the Task Force. He added rail is not represented by anyone in the state while the Intermodal Transportation Authority has a specific need for rail spur off the main line into the industrial development areas.

Mr. Higginbotham discussed funding as the main issue. He added that abandoned rail is a serious issue in the state and no entity has the ability to purchase abandoned rail. He also addressed the need of representation from other entities that did not serve on the current Task Force.

Mr. Bennett stated Arkansas is one of two states in the country that is still a highway department. AHTD has authority to plan, build, design, maintain and operate highways, administer transit funds, and work with all transit associations and authorities around the state. AHTD is the designated rail planning agency for the state but planning is AHTD's only authority with rail. He addressed the federal requirement that every state highway department develop a freight plan working cooperatively with waterways, aeronautics, and railroads. This is very difficult with everything not under one umbrella. Several years ago, AHTD started planning studies for intermodal ports; one thing noticed immediately is that you can look at each one of those in a vacuum and go along the Arkansas River in Fort Smith, Van Buren, Russellville and Little Rock and look at the potential of each one if they were placed under one mode. There is a lot more work to be done to make sure everything is properly structured and properly funded.

Senator Sample made a motion that the report from the Intermodal Transportation and Commerce and Task Force be reviewed; the motion was seconded by Representative Hickerson. The motion passed without objection.

Highway Turnback Reporting from Cities and Counties Act 927 of 2013 [Exhibit E]

Representative Andy Davis provided a brief explanation of the report, which is a result of special language requiring cities and counties that receive \$2 million or more in state turnback and severance tax to report on expenditures of those funds for roads and bridges. Thirty percent of the gas tax revenue and the half-cent sales tax approved by voters, as well as a share of the severance tax revenue, go to cities and counties for roads, bridges, drainages, and other things. There are statutes in place that define how this money can be spent. The premise of a gas tax is that we are taxing the users for the use. If we are going to create a tax for the gas, we have to tax gasoline. There was no standardization of the reports received so the reports provided little information. Representative Davis raised the issue of revising the special language to standardize the report so that data is condensed and provide a broader picture of the expenditures.

Representative Davis made a motion that the report on Highway Turnback Reporting be reviewed and Representative Dotson seconded the motion. The motion passed without objection.

AHTD Report and Briefing [Handout #1]

Mr. Scott Bennett, Director, AHTD, provided a legislative briefing to current and incoming legislators. He acknowledged members of the Arkansas Highway Commission in attendance. Mr. Bennett discussed the report in detail:

AHTD Quick Facts: 3rd largest state agency - 3,634 employees (284 engineers); districts located in Harrison, Fort Smith, Batesville, Russellville, Hope, Camden, Pine Bluff, Wynne, Paragould, Little Rock.

- **Administrative Cost Per Mile ranks 48th**
- **Fuel tax revenue** - one penny is set aside for jobs on county roads and city streets.
- **Marine fuel tax** - six tenths of the gas tax revenue is dedicated to Marine activities to purchase fuel for boats, boat ramps, or access roads to boat ramps.
- **ranks 12th in number of miles at 16,416 miles**
- **ranks 44th in revenue per mile at \$71,494**
- **State Highway System** – carries 76% of all traffic in the state; consist of 16% of all public roads in the state (100,000 miles of public roads), 69% of county roads; carries 9% of traffic, consist of 15% city streets; carries 15% of the traffic, 16% of highway miles, 90% of heavy truck traffic

- **Arkansas Primary Highway Network** - consist of national highways that carries 92% of all highway traffic
- **4-Lane Grid System** - connects cities and communities over 5,000 in population; cost \$11 billion
- **Highway Conditions in Arkansas - Interstate** – 2014 (78% good; 4% poor)
- **Highway Conditions in Arkansas - All Highways** – (30% good; 23% poor)
- **Total Bridges in Arkansas** – 12,655 bridges (85% good; 15% poor)
- **Current Highway Funding Sources** - Federal funding makes up 70% of construction program; state funding from per gallon motor fuel tax, registration and license/permits/inspection fees, severance tax and temporary sales tax increase
- **State and Federal Gasoline Taxes** - combined 40 cents per gallon
- **State and Federal Diesel Taxes** - combined 47 cents per gallon
- **Federal Continuing Resolution/Omnibus Bill** – \$40.9 billion/highways; transit - \$2.2 billion through 9/30/2014 (AHTD receives one-quarter percent of federal revenue for highways)
- **The Problem** - per-gallon tax is the primary funding source for highways; fuel consumption and highway revenues from fuel are declining.
- **State General Revenues vs. AHTD Net Highway Revenues** - 10% growth in the last 10 years due to fuel tax increase

This is a large highway system with a very low budget and \$20.4 billion in needs over the next 10 years with only \$3.6 billion available.

Mr. Bennett concluded the briefing by stating these are some of AHTD's biggest challenges and programs; along with the challenge comes opportunity and that is where the legislature comes into play.

Representative Sorvillo asked Mr. Bennett to address the use of gallon verses sales tax.

Mr. Bennett replied in order to generate the same revenue from sales tax on fuel, it is 12%. He also stated to keep in mind that sales tax is a flat tax per gallon while retail tax goes up and down.

Representative Sorvillo asked Mr. Bennett to share his views on Tex-21. Mr. Bennett stated Tex-21 is an advocacy and lobbying group located in Texas. They advocate for major improvements for the I-30 Corridor from the Texas state line up through Little Rock, North Little Rock, the I-40 Corridor, and over to Memphis. AHTD estimated that to widen I-40 from Little Rock to West Memphis and widen I-30 would cost \$1.5 billion.

In response to a question by Representative Brown, Mr. Bennett stated AHTD does not have the authority for Public Private Partnerships (PPP) in Arkansas. PPP only works if tolling works. Arkansas does not have enough traffic to make toll roads work.

Mr. Bennett mentioned the issues with delayed reimbursements from the federal government which covers 70% of the construction program. During the summer months, weekly payments to contractors are between \$15-\$20 million. Had those federal dollars been delayed, it would have caused the state cash dollars to decline. Last year many jobs were delayed due to this issue. Tennessee recently announced pulling about \$400-500 million worth of jobs from its program this year.

Without any further business, the meeting adjourned at 3:45 p.m.