

**Blue Ribbon Committee on Highway Finance  
Report to the Committee on Statewide Public Meetings  
Prepared By  
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June 1, 2010**

**Committee Purpose and Mandate for Public Input**

Act 374 of 2009 created the Arkansas Blue Ribbon Committee on Highway Finance. The committee is composed of citizen-members who are knowledgeable in transportation, logistics, finance, business, industry, civil engineering, and economic development; elected representatives the General Assembly's House and Senate committees on transportation, budget, revenue and taxation, and members representing the state's recognized trade associations on county and municipal government.

While appointed members have conducted numerous committee meetings and hearings at the State Capitol in Little Rock, the Act further mandates that the committee shall:

1. Seek to actively involve the public as full and valued partners in determining adequate financing of the present and future needs of the state highways, county roads, and city streets within the state;
2. Define an equitable and adequate system to properly finance improvements to the systems of state highways, county roads, and city streets within the state; and
3. Propose and recommend legislation for the 2011 Regular Session of the General Assembly.

It is the public mandate on which this document attempts to report, summarizing comments, opinions and recommendations recorded at meetings designed to "actively involve the public as full and valued partners."

**Methodology**

The committee conducted five open-discussion meetings in order to gather input from the general public, interested organizations and professionals. The meetings were promoted through publicity and paid advertising, and scheduled as follows:

May 19, North Little Rock, Hays Senior Citizens Center  
May 20, Hot Springs, National Park Community College

May 24, Fort Smith, University of Arkansas at Fort Smith  
May 25, Jonesboro, Arkansas State University  
May 27, El Dorado, South Arkansas Community College

All meetings were held from 5:30 p.m. until 7 p.m.

Each meeting was organized based on the discipline of focus group research, utilizing a moderator who followed a discussion guideline. No presentations or pre-determined recommendations were made. The only information offered to the attendees were in the form of a committee website ([BlueRibbonHighways.com](http://BlueRibbonHighways.com), which was promoted prior to each meeting), a hand-out brochure outlining Arkansas highway funding facts, and an introductory video shown prior to the start of each meeting, presenting like facts and a historical perspective on highway, road, street and bridge maintenance and construction.

While the discussion guideline was followed in general, each meeting took on its own character, with the flow of the discussion directed by the attendees (as is usually the case in focus-group-like research). Each session was videotaped. Edited video of individual participants' comments is posted on the committee website ([BlueRibbonHighways.com](http://BlueRibbonHighways.com)).

## **Findings**

The findings are organized based on participants' comments. Comments from each meeting were assimilated into one abstract, outlined as follows:

1. General perceptions of Arkansas and the current status of the state's roads and highways.
2. The perceived impact of the road and highway system on the Arkansas economy.
3. Adequacy, fairness and sustainability of current funding.
4. Expressed funding ideas and options.
5. Strategic planning and political reality.
6. Responsibility.
7. Next steps.

Findings will be expressed in a general narrative designed to paraphrase participants' comments. The narrative will also attempt to capture the general mood and context of the comments as they were given. While there is room for some interpretation by the moderator on comments, the general narrative follows, over the full course of the five meetings, the

context of comments and opinions, as the findings utilize actual quotes to reinforce particular positions.

## **1. General Perceptions of Arkansas and the Current Status of Roads and Highways**

Arkansas roadways are perceived as somewhat or barely adequate, although not keeping pace with the state's overall growth. That growth, noted as more regional than statewide, was stated as a source of pride for meeting participants. Mentioned, as positives, were recent improvements in the re-construction or maintenance of the Interstate system, progress in education, regional economic development and the management of state resources during "tough economic times." Arkansas's strengths or "known-for qualities" are thought to be its natural beauty, tourism destinations, brand-name businesses and industries, and hard-working citizens.

Specifically regarding public roadways, there was a general feeling the state is not effectively "joined together," fostering a sense of regionality or "parochialism," rather than statewide connectivity. The perceived disconnect in the current system of roads and highways seems to speak to the stated purpose of the committee, that being to develop an "equitable and adequate system to properly finance improvements."

Because there are narrow roads throughout Arkansas, roads on which our children are taken to school on buses, "if the driver takes one look back, they're in the ditch." Arkansas's highway financing system is "in the ditch."

## **2. Impact of the Road and Highway System on the State's Economy**

Agriculture, timber, tourism, general commerce, education ("23 million annual miles" of safer school bus travel), all benefit from modern infrastructure and a means to sustain maintenance and construction. Conversely, Arkansas's commerce, job creation and economic development suffer when funding is inadequate and inequitable, putting Arkansas at a competitive disadvantage with surrounding states.

As with the sense that Arkansas's system of highways, roads, streets and bridges are not well connected or "strategically connected," so, too, is the perception of the non-strategic nature of general economic development and the public roadways' role in supporting statewide job creation.

Revenues dedicated to the highway program, including the 15%-15% split with cities and counties, directly contribute an economy responsible for the

continuing growth and overall health of state general revenues and the programs it funds. Consequently, general revenue growth should be considered “beholden” to Arkansas’s highway program and its impact on the state’s commerce. The relationship between highway funding and general revenues seems, as well, to be suffering from a lack of strategic connection.

### **3. Adequacy, Fairness and Sustainability of Current Funding**

“There’s never enough.” And understanding road and highway needs will forever outstrip the state’s ability to fully meet those needs, is pervasive in comments on the subject of adequate funding. Fairness of current and future funding systems, however, is a notion for which participants expect the state to continually strive, “across the board, and across the state.”

While user fees and motor fuel taxes are perceived as fair, because consumption includes an element of choice, they are not recognized as being adequate. In fact, a number of participants believed them to be – as the sole source of highway funding – outdated. Nor did participants seem to believe the current formulae could sustain either maintenance or future construction. Bonding as part of the funding mix was recognized as effective, primarily cited in the Interstate program example, stated above.

The rate of motor fuel taxes is, for the most part, unknown. The relationship between state and federal motor fuel taxes, if any, is likewise unknown. What is perceived, though, is that taxes are high. This opinion was particularly prevalent when comments were made about fluctuating fuel prices and the negative impact higher fuel prices have on consumption, when “you lump them together with the gas tax.”

Using motor fuel taxes as the primary funding method will not “work going forward” because of declining consumption. Although prices fluctuate, the per-gallon tax stays “stagnant,” and gallon-by-gallon consumption is “going south” due to general conservation, better gas mileage, and, in some instances, due to the price itself.

There were virtually no comments about registration and licensing fees when discussing the adequacy or fairness of the current funding system. Further, the 70%-15%-15% revenue split among state, county and municipal governments is perceived to be a fair and workable formula.

Surrounding states’ funding mechanisms appear to many to be adequate or, at least, more adequate than Arkansas’s. This idea is most likely

embedded in the opinion that surrounding states' roads and highways are of higher quality, better organized based on statewide demand, and more responsive to individual, institutional and commercial needs.

#### **4. Expressed Funding Ideas and Options**

Multiple funding ideas were expressed and a wide variety of options put forth as the means to increase and sustain adequate financing of Arkansas's highways, roads, streets and bridges. The committee has no doubt discussed many of the ideas and options expressed in the five rounds of public meetings. However, the straight-forward and unvarnished manner in which the comments were made, and verbatim quotes, may be helpful to the committee in "defining an equitable and adequate system to properly finance improvements to the system," as well as in crafting the proposal for future legislation or initiatives.

- a. "Restructuring of the funding system" is the desired outcome of the debate. Restructuring means looking at motor fuel taxes, sales taxes, bonds, new revenue sources and transfer of existing revenues.
- b. The per-gallon tax is no longer feasible as a primary funding source. Consequently, a "percent-to-value tax" should be structured, or simply removing the sales tax exemption on the sale of motor fuels would "solve the long-term funding problem."
- c. Indexing fuel taxes to the cost of construction would make the necessary "correlation between construction and use."
- d. Index fuel taxes to the Consumer Price Index as a method of tracking inflation. This type of indexing would put the gas tax "in sync with other costs of living."
- e. Establish a retroactive mileage tax per vehicle based on the actual mileage driven each year. The tax would be assessed "when tags are renewed and handled like personal property tax assessments and payments." Or, substitute a mileage tax in place of a fuel tax that would be "more fair to all, as Arkansans are paying less in taxes that support roads and highways, when adjusted for inflation."
- f. "If you use it, you pay for it." Sales tax on the value of product sold, in addition to a mileage tax might be "a workable combination."

g. Local funding as part of the solution should not be ignored. A state-and-local partnership between the highway department and local governments provides the necessary “local input to give all projects purpose and credibility as real needs are being addressed.”

h. Cities and counties could use local tax authority to provide funds that could be “matched” by the state.

i. Working with the Highway Department, local needs, and how those needs fit into overall state plans, are being identified. The department needs a “mechanism” to determine local needs decided on by local leadership in order to develop targeted partnerships.

j. Regional authorities or regional planning districts should be better connected to the state as a whole. No more “four lanes leading to two lanes” are needed. Regional transportation or “mobility” entities with local taxing authority, need to be part of the solution.

k. Local bond issues could “augment” the state’s bond program.

l. The current Interstate bond program, the bonds of which “will start paying off this year,” could be renewed or expanded. Bonds could continue to be used for on-going Interstate maintenance.

m. Maintenance of the highway system would come out of “operating revenues” (whatever their source), while bonds would be used for totally new construction.

n. New revenue sources, or restructuring of existing sources, would allow dedicated revenue to fund specific projects, as well as a “percentage of revenue” to fund an on-going bond program.

o. *(The following excerpt is from a letter received from W. Jackson Williams, and read into the record.)* “...I would strongly suggest that you include a financing component for a portion of the revenue derived from any new funding source. While a highway bond financing will carry with it a necessary interest component, such utilization of funds for debt service can build more highways and build them faster than a purely pay as you go highway program. Having new highways in places carries with it economic development opportunities and state revenues from increased tax receipts that can, in many ways, offset interest costs.”

p. Transfer of appropriate existing revenue not currently going to roads, highways and bridges should be considered, just as a wider variety of revenue in other states is “specifically dedicated to road programs in other states.”

q. Arkansas’s general revenue includes “26% of collections from vehicle-related taxes.”

r. A comprehensive approach would be to levy “a ½¢ or 1¢ general sales tax and sunset it after 10 years.” The revenue from the additional ½¢, or from a 1¢ sales tax (raising approximately \$460 million annually), would be specifically dedicated to the highway fund. A percentage of it could be leveraged with a new bonding program. During the 10-year sales-tax period, vehicle-related sales taxes (cars, trucks, tires, batteries, etc.), would be “transferred from general revenue” to the highway fund. This 10-year, “phase-in period would allow general revenue’s natural growth to replace the transfer, lessening the impact on other state programs.” At the end of 10 years, the transferred vehicle-related sales taxes from general revenues to the highway fund, would begin to replace the temporary, 10-year general sales tax collection “that would then sunset.”

s. Toll roads were part of the discussion at every meeting. Representatives of the highway department cited numerous studies revealing that in Arkansas traffic load would not support a dedicated toll-road program. Specific local or regional needs, however, could be an exception.

## **5. Strategic Planning and Political Reality**

The development of any effective funding program should be based, many meeting participants thought, on a clear and concise overall strategy.

It was clearly noted that Arkansas has limited resources and appears to have unlimited needs, or “wants.” A financing plan calls for hard choices that “cry out for a strategy.”

New funding provisions – whether a re-structuring of existing fees and taxes, or redirecting funds not currently allocated to road programs – should either be approved by the voters, or a plan decided on by the legislature and approved by the voters.

Because financing will require new fees, new taxes, or re-directing existing taxes, the general public must be involved in the decision-making process.

“Whether we vote on it, or encourage our legislators to vote on it,” a new funding system must seek across-the-board input.

Raising taxes is a tough vote. Arkansas’s elected representatives can decide on the plan, but Arkansans should decide on the passage of the plan.

Multiple opinions expressed a strategy described as a “two-pronged approach:” Deciding on the funding program; then deciding on the plan the program intends to fund.

“No legislature likes to vote for taxes.” We need a “buy-in” from the public.

As the five meetings were held in different parts of the state, it was made clear that the nature of Arkansas’s regional economies means different areas of the state have different needs. But we require one highway system. To get everyone together “we need a joint effort” among business, industry, chambers, education, truckers, cities and counties, tourism, all “led by the Governor and a broad organization like Good Roads.”

Comments pointed out that some areas of the state are “void of Interstate highways.” Any plan has to be able to fund “connectors” to Interstates, or prepare the way for new Interstates to be built. Areas that feel like they “have been ignored, need to know they will be included.”

New or restructured revenue plans must enjoy credibility, believability and trust. One funding allocation system that has met with favor in the past is depositing all road revenues in a trust fund.

Funding is one thing. But, what the funding will buy is another. The two “have to go together, or you can forget it.” One group was reminded that 10 years ago, “people voted four to one” in support of the Interstate bonding program.

Expressed at every meeting was the notion that “everyday Arkansans” don’t understand how highways, roads, streets and bridges are paid for. If so, then any strategic financing plan will require an information and education campaign.

Education of Arkansas citizens should include information on how dollars are currently being spent, and “what we are getting for the money.”



The Arkansas Highway and Transportation Department currently ranks at the top nationally on administrative effectiveness and efficiency.

“What’s in it for me,” was described as a “value proposition” that should be included in any communications or “sales strategy,” whether to the legislature, those constituents who support their legislators, or to the general public if the issue is referred for a vote of the people.

As discussed with funding ideas and options, a partnership between state and local efforts would be advantageous to an information or education campaign, with small, local groups supporting a statewide effort.

“The chicken-and-egg” dilemma – funding first, or leading with what projects or plans the funding supports – was included in the “two-pronged approach” discussed above. However, it is clear the committee’s purpose, mandate or task is limited to highway finance, rather than highway system planning.

Economic development plans and job-creation programs should be considered as part of the overall strategy on the restructuring of highway finance.

## **6. Responsibility**

It is the responsibility of the appropriate agencies of state government, or a coalition of public-private interests, to inform the public, rather than the public educating themselves.

Credibility is a key factor in deciding who “carries the message” to the public.

“The highway department and commission are not responsible for raising the money.” Rather, the department must focus on the fair allocation of resources provided to them.

The Arkansas legislature can partner with the highway department, cities and counties to develop a financing plan, as well as a plan to submit a comprehensive program to the voters for approval.

Each of the five meetings agreed that “leadership from the Governor’s office” was important to the success of any new funding program, as well as an effective statewide maintenance and construction plan.

The strategic allocation of capital was expressed as “at the center” of any discussion of a long-term highway-financing plan.

## **7. Next Steps**

At the outset of each public meeting, the purpose of the committee’s existence and its charge, based on the legislation that created the committee, was announced. It was clear that the public meetings were designed to gather input, opinions, general comments, suggested plans and options for highway funding. This input would then be factored in to the committee’s other deliberations, all resulting in a series of recommendations to the Arkansas General Assembly prior to the start of the January 2011 Regular Session of the legislature.

Understanding the committee’s responsibilities, consistent comments focused on the meetings as a “step in the process.” As a “step,” the general desire of participants was to be kept informed of the next steps and the ultimate recommendations. Expressed another way, participants were interested in being included in whatever information and education program that may flow from the recommendations and the legislature’s ultimate consideration of the committee’s outcomes.

Given this interest, the committee may want to consider the following:

- a. Proceeding toward further testimony as deemed necessary.
- b. Continuing public promotion of the committee’s activities.
- c. Providing preliminary recommendations, as required.
- d. Considering a strategy statement that would be included in any preliminary or final recommendations. The strategy statement could, by its nature, take into consideration the further exploration of how to effectively involve the public in its recommendations and the recommendations’ desired outcomes; how to better define “equitable” and “adequate” as benchmarks of its recommendations, and how its recommendations would “properly finance improvements to the systems of state highways, county roads, and city streets within the state.”
- e. Including in its recommendations a component that would address the information/education/communication deficit expressed in the public meetings.

Thank you for the opportunity to participate in this important process.

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