

# MINUTES

## ARKANSAS BLUE RIBBON COMMITTEE ON HIGHWAY FINANCE

**Tuesday, June 1, 2010  
10:00 A.M.  
Room 130, State Capitol  
Little Rock, Arkansas**

The Arkansas Blue Ribbon Committee on Highway Finance met Tuesday, June 1, 2010, in Room 130 of the State Capitol in Little Rock, Arkansas.

**Legislative committee members in attendance:** Senators John Paul Capps, Chairman; Paul Miller; Representatives Bruce Maloch, and Bill Sample

**Non-Legislative committee members in attendance:** Wes Fowler, Mark Lamberth, Bill Lynch, Mark McBryde, Madison Murphy, and Mike Wilson

**Stakeholder Task Force members in attendance:** Paul Benham and Johnnie Bolin

**Also attending:** Senators Gene Jeffress, Jimmy Jeffress, David Wyatt, Representatives Eddie Cooper, Donna Hutchinson, Andrea Lea, Mark Martin, Robert Moore, and Garry Smith

Senator Capps called the meeting to order.

Consideration to approve Minutes of April 4, 2010 (Exhibit C)

**Without objection, the Minutes of April 4, 2010 were approved.**

Report on utilizing Bond Financing (Handout #1)

Mr. Mark McBryde discussed utilizing bond financing, noting this report addresses only new revenues, removal of sales tax exemption on motor fuels and new sales tax on new and used vehicles. As analysis for this report, 15 and 20-year bond payback options were used. Mr. McBryde noted that removing the sales tax exemption on motor fuels would generate significant revenue. However, it is not possible to partially remove this exemption as Arkansas is part of the Streamlined Sales Tax Agreement, meaning removing the sales tax exemption would exempt the entire amount of sales tax.

Mr. McBryde explained there were various ways to structure this analysis. Interest rates used in the report are very conservative as well as the security and coverage on the bonds. Long-term debt should be repaid in a term equivalent to the asset being financed. For example, if the state finances roads that would last 10 years, it would not want to issue 15-year or 20-year bonds. The country is in a very dynamic market with interest rates on a 15-year maturity, currently 3.15%, and 3.54% on a 20-year maturity. The bond market is very strong, particularly for tax-exempt bonds.

Coverage is set up on each bond issue as a way of enhancing the security for the bonds. For example, revenue coming in should be approximately \$135,000 for a bond issue with a \$100,000 annual payment. For the purpose of this report, some coverage on the security of the issuance of the bonds was built in, as well as a debt-service reserve, as a cushion which investors often expect to see on bond issues. This report also includes the cost of issuance, such as sales charge, legal fees, trustees' fees, etc.

Mr. McBryde discussed legal parameters, noting an increase in the motor fuel tax would require a 3/4 vote in both chambers of the legislature. Removal of the sales tax exemption on motor fuels and new sales tax on new and used vehicles would require a simple majority vote in each chamber. As there is no statewide authority for the issuance of bonds, legislation establishing an act to issue these bonds would be required. A simple majority would be required by the voters to approve the bonds and could be done at a general, special, or primary election. Mr. Benham noted this would be breaking new ground as there is no statutory authority.

Senator Capps noted he received a letter from Mr. Jack Williams, of the Williams and Anderson Law Firm, which will be included in the record of this meeting (Attachment 1).

Report of public meetings and on-line survey (Handouts #2-4)

Mr. Craig Douglass, Craig Douglass Communications, Inc., presented a copy of an advertisement used to publicize the statewide public meetings, a brochure and summary of the meetings. Since the last meeting, his group has developed a committee brand, published a committee brochure and launched the committee

website. The website contains funding facts about Arkansas's highways, roads, streets and bridges, an on-line survey, introduction video and synopses of the five (5) public meetings.

Mr. Douglass's report addresses the meeting format and findings, which are perceptions of what the respondents believe to be the facts. During each meeting, it was expressed that everyday Arkansans do not understand funding issues and it is leadership's responsibility to educate the public rather than the public educating themselves. Only one newspaper advertisement per market area was published due to budget constraints; local publicity was used to promote the meetings. Readers were encouraged to access the website, view the video, seek more information on funding issues, and take the on-line poll. The on-line poll has yielded over 70 responses to date. The results of the on-line poll can be compiled in a couple of days and emailed to members.

Mr. Douglass suggested the committee continue to gather information, promote the committee's activities and consider a strategy statement for inclusion in any preliminary or final recommendations. The strategy statement could take into consideration further exploration of how to effectively involve the public in recommendations and desired outcomes, how better to define equitable and adequate as benchmarks, and how those recommendations could properly finance improvements to the system of highways, county roads, and city streets. The recommendations could include a component to address the information, education, and communication deficit expressed at each public meeting.

Senator Capps noted the committee has clearer direction on what needs to be done to gain public attention and public support, which are vital to restructuring the system for funding the state's roadways.

#### Procedural Rules

Senator Capps noted previous discussions regarding the latter part of June as the timeframe for meeting to discuss and assimilate information for an interim report by July 1 and the final report to be completed by December 1. A couple of meetings could be held to review subsequent information and work on the final report. Senator Capps suggested a round table meeting on June 16, with a break for lunch. Members were asked to come prepared to express their opinions and plausible recommendations.

Mr. Wilson suggested a consensus approach before the next meeting, with each member ranking the various recommendations to determine where the bulk of the consensus lies. Mr. Lamberth stated voting on the options is an appropriate way to narrow them down to some hard and fast recommendations. He suggested that the options be circulated to members prior to the next meeting to allow time for review.

Mr. Murphy noted many of the ideas on the table might not be recommendations of the subcommittees. The full committee has not had an opportunity to meld the subcommittees' recommendations. He also noted that bonding should be considered as one of the options.

Representative Maloch noted Mr. Douglass mentioned one or two other options. These other options need to be written up, discuss if they are bondable revenue streams and determine their total bond proceeds. These options could also be discussed and voted on. Getting this information on paper before the next meeting would facilitate the committee's discussion.

Mr. Lynch noted the committee went through the options recommended by the subcommittees but did not discuss in detail the pros and cons. He agreed that the next couple of meetings should be devoted to dissecting the various options.

#### Next Meeting

The committee agreed to meet June 16 and June 23, at 10:00 a.m. each day and, following a lunch break, resume its work that afternoon.

With no further business, the meeting adjourned at 11:05 a.m.