

# EXHIBIT D-4

## BLUE RIBBON COMMITTEE ON HIGHWAY FINANCE COMMITTEE SURVEY COMPILATION *14 of 18 Committee Members Responding*

### Section I. Preferences and Comments on Subcommittee Recommendations

#### Revenue Transfer Committee

Transfer sales tax revenue from the sale of new and used vehicles, tires and batteries and auto service from the General Fund to the Highway Fund in increments of 25% per year beginning in 2011.

1. XXXX (4)
2. XX (2)
3. X (1)
4. X (1)
5. XXXXXX (6)

#### New Revenue Subcommittee

1. Index the motor fuels tax to the Construction Cost Index 3 year trailing average using a 2005 base year. The indexing would be done automatically by the Department of Administration each year with a hard floor and a 2¢ per year cap.

1. XXXXX (5)
2. XXXXX (5)
3. X (1)
4. XX (2)
5. X (1)

2. Levy a new excise tax on price of motor fuels at the wholesale level. The example used on the Analysis Tool showed phasing the tax in 1¢ per year for five years, although the phase-in time period and ultimate rate were not formal subcommittee recommendations.

1. XXXX (4)
2. XXX (3)
3. XX (2)
4. X (1)
5. XXXX (4)

3. Levy a special 1¢ sales tax on new and used cars in addition to existing state general sales tax and dedicate the revenue to the Highway Fund.

1. XXX (3)
- 2.
3. XXXXXXXX (7)
4. XX (2)
5. XX (2)

June 14, 2010

## COMMENTS

### Revenue Transfer Committee

**Transfer sales tax revenue from the sale of new and used vehicles, tires and batteries and auto service from the General Fund to the Highway Fund in increments of 25% per year beginning in 2011.**

*Respondent # 1*

Not a huge amount of funds in the big picture but this action will cause state agencies to cut their budgets. This action will help in selling the overall road improvement program.

*Respondent #3*

DOA. With state prisoners filling up county jails, health care reform and an aging population to escalate Medicare costs and the costs of the state's commitment to education, there is no way that this much money can be taken from the General Fund without doing massive damage to the greater public welfare.

*Respondent # 5*

May be too fast and have too much effect on the General Fund

*Respondent # 6*

Not in 2011. The Governor still has a commitment to finish doing away with the sales tax on food. This should only be looked at when that is complete.

*Respondent # 7*

I don't think that we can expect much support for transferring any general revenues. Opposition will surface from all sides.

*Respondent # 8*

This transfer could be phased in over a longer period of time (e.g., 8 to 10 years) to ameliorate the issue of the reduction in growth of State General Revenue.

*Respondent # 11*

Prefer a longer phase-in period.

*Respondent # 12*

Hard sell. The House and Senate would never buy into it.

*Respondent # 13*

I still think that we should work toward capturing the "Streamline Sales Tax" and using it for road needs

## COMMENTS

### New Revenue Subcommittee

1. Index the motor fuels tax to the Construction Cost Index 3 year trailing average using a 2005 base year. The indexing would be done automatically by the Department of Administration each year with a hard floor and a 2¢ per year cap.

#### *Respondent #1*

This approach will be difficult to explain to legislators and citizens. Even though there's a cap, the ability to float will cause uncertainty.

#### *Respondent #3*

Addresses one of the fundamental flaws in existing revenue system. Catch up to 2005 base can be phased in by 2015 or so at 2¢ a year (\$12/year for average Arkansas driver). Keeps us from losing ground. Must be the foundation for any additional measures.

#### *Respondent # 5*

Will be a less popular option with the public IMO

#### *Respondent # 7*

Big advantage here is a user fee tax. Makes the most sense in "keeping up" with construction costs. Big disadvantage is 75% needed for passage - very tough. Further increases, however, could be made automatic.

#### *Respondent # 8*

This option, while not as predictable as some options, would assist in offsetting the impact of inflation of construction costs over time

#### *Respondent # 12*

Much too complicated.

#### *Respondent # 13*

I think that we need to know how much money that we need so we will know what we need to allocate

COMMENTS  
New Revenue Subcommittee

2. Levy a new excise tax on price of motor fuels at the wholesale level. The example used on the Analysis Tool showed phasing the tax in 1¢ per year for five years, although the phase-in time period and ultimate rate were not formal sub-committee recommendations.

*Respondent #1.*

Will the trucking industry support this approach?

*Respondent #3*

Raises lots of revenue and provides elasticity to tax base.

*Respondent #4*

I support this proposal, but would prefer to see a percent (%) tax at the wholesale level. Fuel usage will continue to decrease, but as the usage decreases, the price will probably increase. A percent (%) tax would probably do more to keep up with inflation and the reduced usage.

*Respondent # 5*

Again a less popular option in these economic times

*Respondent # 7*

I like this proposal as well as #1. It is a user fee and will provide a substantial sum of money. It will be flexible and help to keep up with construction costs. However, a  $\frac{3}{4}$  majority vote will be difficult.

*Respondent # 8*

While this option should provide more growth than the existing cent-per-gallon tax, the revenue could still lack predictability and would rely on the stability of the wholesale price and the consumption of motor fuels.

*Respondent # 13*

I think that we need to know how much money that we need so we will know what we need to allocate

**COMMENTS**  
**New Revenue Subcommittee**

- 3. Levy a special 1¢ sales tax on new and used cars in addition to existing state general sales tax and dedicate the revenue to the Highway Fund.**

*Respondent #1*

A state wide sales tax tied to a bond issue that sunsets when the debt pays off will get us a lot further down the road; no pun intended! A large bond issue will allow improvements to all parts of the state and would make organizing support more doable.

*Respondent #3*

Doesn't raise that much money and will negatively impact the state's auto dealers and by extension, local newspapers and TV stations whose revenue is heavily dependent on car sales. Also would depress fleet turnover rate, increasing costs for average Arkansan.

*Respondent # 5*

Will have opposition but less than gas related taxes where everyone pays.

*Respondent # 6*

I think the bond proposals should be left out of the report

*Respondent # 7*

Advantage as a user fee. However, a general sales tax increase will be unpopular.

*Respondent # 8*

This option would generate an estimated \$57.5 million in gross "highway" revenue. While additional revenue would be beneficial, this option would be inadequate unless combined with other new revenue sources.

*Respondent # 12*

Best choice.

*Respondent # 13*

Probably the best way.

## Section II. Other Revenue Sources the Committee Should Discuss

### *Respondent #2*

Natural resource crude oil production from bio-mass (woody, row crop, algae, etc) and lignite tax to the AHTD.

### *Respondent #3*

1. Increase License Fees to regional average and adjust every two years.
2. Adjust taxes and fees on heavy trucks to levels indicated by national Cost Allocation Study
3. Amend Constitution to allow counties to levy more than 3 mils road tax with voter approval
4. Authorize multi-county taxing districts for Regional Mobility Authorities or regional transportation improvement districts
5. Allow RMAs or regional transportation districts to levy any tax the state levies to support surface transportation
6. Have General Fund reimburse highway fund annually for revenue forgone by lower cost natural resources truck tags. If the General Assembly wants to give tax breaks to Arkansas producers, it should be paid for out of the General Fund.

### *Respondent # 7*

We have the best and most flexible options on the table now.

### *Respondent # 8*

An option that I believe merits serious consideration includes a ½-cent General Sales Tax, used for a bond program and sunset after 10 years, coupled with a 10-year phased transfer of the sales tax on new and used vehicles, auto repair parts and services , tires and batteries.

### *Respondent # 9*

I think we should look at a combination of extending the transfer of existing revenues; sales tax on new and used vehicles, etc. over a ten year period and come up with a way to fund highway bonds during the ten year transfer period.

### *Respondent # 10*

After all that has been said and all that has been studied I still have serious doubts about any tax increase being acceptable by the citizens of this state. However, I am open if someone is magic enough to show me an increase that will win the nomination for the most popular idea of the year. This of course is not to say that I am against any increase personally because I will try my very best to support whatever the next legislative session offers. That is simply because I know the serious need for a real road program if we plan on economic development to happen.

*Respondent # 11*

Consider referring to the people a ½ cent general sales tax with a 10 year sunset for the express purpose of issuing and repaying bonds for highway construction, combined with a phase in transfer of the sales and use tax on automobiles, tires, batteries and auto service over a 10 year period.

### **Section III. Other Issues That Need Discussion**

*Respondent #1*

I think we should discuss whether this report should recommend the use of bonds as a way to facilitate the program.

*Respondent #3*

1. Reduce mileage on state highway system to 10,000 miles (target) by giving urban arterials to cities and lowest volume rural highways to counties. Transfer over ten year period in a state of good repair. Provide extra funding to cities and counties to compensate for added maintenance costs.
2. Like state aid to education, require minimum local tax effort to receive state aid/turnback. Require minimum standards for roads on which state aid is used. Require reporting of conditions of city and county road systems and of state aid/turnback expenditures on same.
3. Establishment of state Highway Trust Fund dedicated to system preservation and operations of existing state highways. New highway programs paid for by sun-setting taxes approved by electorate.

*Respondent # 7*

I believe strongly that any revenue increases should be tied to a usage option. We face a daunting task for approval and I think any other approach will be difficult to propose and pass.

*Respondent # 8*

A possible issue for discussion is the increase in the State Aid for Counties program (currently funded by 1¢ of the motor fuel tax) and the possible funding of a State Aid for Cities Program (currently not funded). Options include:

- The use of a portion of the 30% of any additional revenue sources that would be distributed to counties and cities.
- A 2¢ increase in the motor fuel tax with 0.5¢ added to the State Aid for Counties program and 1.5¢ used to fund a State Aid for Cities Program

- The dedication of 2¢ of the existing motor fuel tax to the State Aid for Counties (additional 0.5¢) and State Aid for Cities (1.5¢) programs, only if coupled with an option to provide additional revenue for highways.
- Any of the above options could include the transfer of maintenance of some highways to cities and counties.

*Respondent # 12*

Issue Revenue Bonds, as needed, backed by any new revenue generated from any proposals from the Blue Ribbon Committee.

## **Section IV. Non-Revenue Recommendations**

*Respondent #3*

1. Recommend method for institutionalizing highway and revenue trends information for biennial reporting to the General Assembly.
2. Pass on political advice on how to structure a new state highway program (specific projects, sun-setting tax, accountability and transparency) gleaned from public comments

*Respondent #4*

I still believe the Highway Department needs to take a hard look at where they can reduce costs. Any cost cutting measures should be included in the report to the legislature and presented to the General Public as a way to help promote any tax increases.

I don't buy, and neither will the General Public, that our costs are lower than the bordering states, so we can't reduce costs in our Highway Department. As a past General Manager for a Weyerhaeuser facility in South Texas, I can say there are always a few more places where costs can be reduced.

*Respondent # 6*

I think the bond proposals should be left out of the report.

*Respondent # 7*

A series of 10 meetings across the state (1 per AHTD district) should be discussed.