

Alternative funding sources

by Deborah Horn

In what proved to be the shortest meeting to date, the Arkansas Blue Ribbon Committee on Highway Finance wrapped up business in less than 50 minutes at their regular Wednesday, Oct. 14 meeting at the Arkansas State Capitol.

Earlier this year, the Arkansas State Legislature put together a 19-member committee to study the state's roadway system, with the job of finding adequate funding for the state's 99,811 miles of roadways, or the nation's 12th largest highway network. Funding needs are estimated at more than \$19 billion. Once their work is completed, the committee's funding recommends will be presented to the 2011 General Assembly.

As the first order of business after committee Chairman Sen. John Paul Capps called the meeting to order, members unanimously approved September's minutes.

Also unanimously approved was the recommendation of Capps to create a third subcommittee made up of "transportation-related stakeholders" not currently represented on the Blue Ribbon Committee.

In an electronic communication to members sent prior to the meeting, Capps recommended the following as subcommittee members: Friday Law Firm Attorney Paul Benham of Little Rock, representing the rail/intermodal industry; Arkansas Good Roads/Transportation Executive Director Johnnie Bolin of Crossett; Carman Inc. President Greg Carman of Fort Smith, representing the trucking industry; Star Transportation Vice President Al Heringer, IV, of Jonesboro, representing the oil marketers industry; Automobile Dealer Dennis Teague of Sheridan, representing the automobile dealers/manufacturers industry; and Maverick Trucking President Steve Williams of North Little Rock, representing national transportation research initiatives.

At their sixth meeting, the committee heard from New Revenues Subcommittee Chairman Jim McKenzie. The subcommittee is charged with identifying additional funding sources.

Earlier in the day, the subcommittee was briefed on carbon tax and a gasoline and diesel sales tax increase.

According to McKenzie, the idea is that carbon dioxide causes environmental damage that isn't being accounted for in the price of fuel. Committee members were told a 1-cent carbon tax levied on each gallon of gas and diesel sold could generate about \$21 million annually.

A 1-cent price increase in the wholesale price of gas could produce about \$27 million in revenues each year, while raising the state motor fuel tax by 1 cent could generate about \$32.8 million during the same period.

The additional 1-cent tax wasn't a popular with committee members, as well as the notion of a carbon tax.

McKenzie said his subcommittee has additional funding source topics planned for the Nov. 18 meeting. These include: a weight distance tax and vehicle miles traveled tax, and state income and general sales tax hikes.

At their Wednesday morning meeting, the Revenue Transfer Subcommittee Chairman Rep. John Lowery said members looked a national effort to collect state taxes on Internet sales.

It would take an act of the U. S. Congress to initiate the tax, but supporters believe there could be an estimated \$100 million in uncollected Arkansas tax revenues.

Following the subcommittee reports, Assistant Director for Research Services for the Bureau of Legislative Research Richard Wilson told the committee that the cost of building roads has really exploded the last five years. According to his Indexing Motor Fuel Tax Revenue report, which covers a 25-year period and looks at customer price index (CPI), construction costs (CCI), general revenues (GR) and motor fuel tax revenues (MFTR, shows that until the 1990s the state's held its own against CCI, but beginning early in this decade, costs began rising.

In fact, CCI doubled about four year ago, and then doubled again in 2008. Wilson said if revenues had been tied to inflation instead of simply to a per gallon price, revenues would have kept pace with CCI until 2005, when costs began a sharp rise.

Currently, CCI is estimated at \$1.2 billion while MFTR has remained flat or gone down slightly, at about \$400 million since 2002.

In August, the committee requested follow-up information from the Federal Highway Administration. The material was presented to the committee at Wednesday's meeting.

Capps asked that members review the information that was included in their packets for discussion at their Wednesday, Nov. 18 meeting.