

Blue Ribbon Committee talks finance.....

By Deborah Horn

Although it was the fifth meeting of the Arkansas Blue Ribbon Committee on Highway Finance, it was a first for the group's two newly formed sub-committees, the Revenue Subcommittee and the Revenue Transfer Subcommittee. While the subcommittees met at 10 a.m. on Wednesday, Sept. 16, the regular committee met in Room 151 at the Arkansas State Capitol that afternoon.

Shortly after unanimously approving last month's notes, committee Chairman John Paul Capps commented they were making progress in their search for alternative funding recommendations for Arkansas State Highway and Transportation Department funding. He also believes the committee will be able to come up with definitive recommendations for the state.

Capps also told the group that member Wayne Hartsfield, former chairman, president and CEO of First National Bank of Searcy, and former Regions Bank at Searcy Chairman, has passed away Sept. 3.

In addition to his work on the Blue Ribbon Committee on Highway Finance, Hartsfield served on the Arkansas Science & Technology Authority and Arkansas Board of Education, and was past president of the Searcy Chamber of Commerce, Arkansas State Chamber of Commerce and Arkansas Bankers Association. He sat on the board of the Little Rock branch of the Federal Reserve Bank of St. Louis.

Capps said Hartsfield's vacant position needs to be filled.

During the program portion of the meeting, members heard from the former journalist Sean Slone, who is currently working as a transportation policy analyst for the Council of State Governments.

Their funding comes from sources including entrepreneurial efforts, grants and state appropriations. Following a short history of the Council, which was founded in 1933 and serves all branches of the government through education and research, as well as providing informational services in a bipartisan manner, Slone presented the committee with an overview of the nation's roadway infrastructure.

He describes it as crumbling, with a minimum five-year investment of \$2.2 trillion needed to bring it up to par. Currently spending for highway capital improvements is about \$70.3 billion annually, with at least \$186 billion needed each year to improve the nation's highways, he said.

Unfortunately, the needed revenue sources are not there, he said. The motor fuel tax revenues continue to decline, and currently, 82 percent of the federal transportation funding is derived from the federal fuel tax, with about 24 percent of state revenues coming from state fuel taxes, and these are no longer sufficient revenues to finance large and growing infrastructure needs.

His alternative funding options suggestions included converting cents-per-gallon excise taxes to an ad valorem system (tracking miles driven).

Several states have adopted variable rate fuel taxes, but many also cap the rates to protect revenues from falling when fuel prices plummet, and at least one state, Oregon recently increased fuel taxes by 25 percent, and raised registration, title and driver's license fees.

Slone added that vehicle fees are relatively inexpensive to administer in relation to its potential yield and are seen as promising as a short- and long-term funding option.

Other areas to be considered as a source of tax funding, includes special assessments, increment financing, community facilities districts, car rentals, cigarettes and gambling or lottery revenues.

Nearly every state, including Arkansas, has the authority to issue state transportation bonds, providing the state with upfront capital, Slone said. He lists the following as possible ways to finance debt, such as state and federal credit assistance, GARVEE Bonds (Grant Anticipation Revenue Vehicles), Section 129(a) Loans, and Private Activity, Build America and Recovery Zone bonds.

State infrastructure banks can be used to attract riskier non-federal public and private investments; however, there are complex federal requirements, which can delay smaller projects. Slone also outlined alternative transportation funding mechanisms including public-private partnerships, toll roads, congestion pricing and vehicle miles traveled (VMT) charges. With new tracking technologies on the horizon, VMT should be available in a decade or so, he said.

During the question-and-answer portion of Slone's presentation, Rep. Bill Sample asked if any states were talking about or were presently taxing hybrid cars differently.

Slone said he was not aware of any such program. After their first morning meeting, New Revenue Subcommittee Chair Jim McKenzie of Little Rock reported the group had an energetic discussion and supported the notion of a user-fee

based tax but only if it is implemented over a 10-year period. However, instead of relying on a single funding source, he recommends considering multiple sources. Revenue Transfer Subcommittee Chair Rep. John Lowery reported his group is planning to target a range of money required to meet the needs of the state's highway department.

Lowery said the subcommittee is not satisfied to fill the low-end of the department's needs but wants to look at the medium-range funding solution.

He also said he believes additional funding can be looked at as a state-sponsored stimulus package, with the much-needed projects creating jobs and economic spending. In other business, Capps said they were putting together a list of groups or organization that may be impacted by their recommendations. He feels the committee should hear from these groups.

The next Arkansas Blue Ribbon Committee on Highway Finance is scheduled for Wednesday, Oct. 14 at 1:30 p.m. at the Arkansas State Capitol.