

MINUTES

ARKANSAS BLUE RIBBON COMMITTEE ON HIGHWAY FINANCE

Wednesday, November 18, 2009

1:00 P.M.

Room 149, State Capitol
Little Rock, Arkansas

The Arkansas Blue Ribbon Committee on Highway Finance met Wednesday, November 18, 2009, in Room 149 of the State Capitol in Little Rock, Arkansas.

Legislative committee members in attendance: Senator John Paul Capps, Chairman; Representatives John Lowery and Bill Sample

Non-Legislative committee members in attendance: Charles Dains, Jr., William Fletcher, Wes Fowler, Mark Lamberth, Bill Lynch, Jim McKenzie, Madison Murphy, Tab Townsell and Mike Wilson

Stakeholder Task Force members in attendance: Paul Benham, Johnnie Bolin, Greg Carman, Dennis Teague and Steve Williams

Also attending: Senator David Wyatt; Representatives Jane English, Donna Hutchinson, Mark Martin, Walls McCrary, Gary Smith and Randy Stewart

Senator Capps called the meeting to order.

Consideration to approve Minutes of October 14, 2009 (Exhibit C)

Mr. Murphy presented clarifications to the October 14 minutes (Attachment 1). Senator Capps stated, that without objection, the clarifications will be noted for the record. **Without objection the minutes of October 14, 2009 were approved.**

Stakeholder Task Force

Senator Capps introduced the members of the Stakeholder Task Force: Paul Benham, Partner, Friday, Eldridge and Clark Law Firm, Little Rock; Johnnie Bolin, Executive Director, Arkansas Good Roads and Transportation Council, Little Rock; Greg Carman, President, Carman Inc., Fort Smith; Al Herringer, Vice President, Star Transportation, Jonesboro (not present); Dennis Teague, Owner, Dennis Teague Chevrolet, Sheridan; and Steve Williams, Chairman and CEO, Maverick USA, Inc., Little Rock.

Senator Capps stated the committee desires input and help from the task force with decisions the committee is charged with making and encouraged task force members to attend subcommittee meetings. He pointed out the committee's decisions must be made on a statewide basis as they will affect the general public statewide.

Subcommittee Reports

Mr. McKenzie, Chairman, New Revenue Subcommittee, was recognized and gave a brief overview of the subcommittee's morning meeting. The subcommittee reviewed draft policy briefs addressing a vehicle mile traveled tax (VMT), sales tax increase, removing the sales tax exemption on motor fuels, special excise tax on motor fuel at wholesale pricing, general sales tax, and special sales tax surcharge on new and used cars. The possibility of indexing the current excise taxes to several potential indexes was also discussed. Policy briefs on gas and diesel excise tax, tax increase on weight distance tax for trucks, a general income tax, and public/private partnerships (P3's) and tolls are still in process. Representative Maxwell discussed the potential for taxes on lignite exportation in Arkansas which will be taken under review.

Mr. McKenzie advised that the subcommittee hopes to have all policy briefs finished and vetted by the technical staff and recommendations forwarded to the committee by the January meeting. Mr. McBryde's

staff is working on an analysis tool that will allow the subcommittee to play "what if" scenarios in terms of mixing and matching different taxes to see how the revenues will play out over the 2011 to 2020 decade. Representative Lowery, Chairman, Revenue Transfer Subcommittee, was recognized and gave a brief report of the subcommittee's morning meeting. The subcommittee has zeroed in on existing sales and use taxes currently in place and specifically tied to highway use, such as sales taxes on new and used vehicles, auto repair parts and services, and retail tire sales. Representative Lowery will ask subcommittee members to submit written draft recommendations for options discussed at the December meeting (particular taxes, benefits, and replacement revenues needed). These recommendations will then be narrowed to one or more options. The subcommittee will work with staff on loopholes, barriers, and legislative restrictions that could prohibit or complicate the transfer of funds. The subcommittee plans to submit its recommendations during the January meeting.

In response to a question from Mr. Fletcher, Mr. Lowery stated that taxes on new vehicles would bring in approximately \$145 million; approximately \$90 million on used vehicles, \$186 million on auto repair parts and services; and \$14 million on retail tire sales. The subcommittee discussed conflicts on where Arkansas is headed with streamlined sales tax reporting and also on retailers breaking these costs out. Tax on new and used vehicles goes to the Revenue Department to logistically maneuver. The other two options are more complicated and could be in conflict with the Streamlined Sales Tax Compact.

In another question from Mr. Fletcher, Mr. Lowery responded funds would be transferred immediately and further explained the subcommittee will consider current budget shortfalls and what will be substituted for these funds. He feels the subcommittee will make some incremental recommendations; therefore, these transfers would not be in the full amount. The subcommittee sees the transfer of at least \$200 million in March to maintain the status quo and in conjunction with new revenues to make up the \$400 to \$500 million. New and used cars will probably be the easiest to transfer. There are a number of complications with actually getting the transfer and then getting it into the coffers for use by the Arkansas Highway and Transportation Department (AHTD).

Mr. McKenzie asked if it would be possible for the new stakeholders to receive copies of all information presented to the committee thus far. **Senator Capps responded that all information will be provided to the stakeholders.**

Discussion of attainable goals

Representative Lowery stated the Revenue Transfer Subcommittee hopes to present its recommendations during the January meeting.

Mr. McKenzie stated the New Revenue Subcommittee may need a longer time to digest all the information because of the wide range of possibilities with mix and matches for taxes. If the Blue Ribbon Committee meets in different areas of the state, depending on whether the committee presents options for public opinion prior to a final recommendation or first deciding on a recommendation and presenting it to the public, will considerably affect the timeline. Once the subcommittee has all available options available, it may take the subcommittee approximately two months to thoroughly review and narrow the options to a few recommendations.

Senator Capps asked for input from the committee on Mr. McKenzie's thoughts. Representative Sample felt options should be narrowed to two or three workable solutions and presented for public opinion prior to the committee's final recommendations. Mr. Lynch agreed, noting this will be a hard sale no matter what the committee does. Mr. Williams felt time should be spent narrowing down the options within reason before taking them to the public. Mr. McKenzie noted the committee is only charged with making recommendations. The public will be interested in what their dollar will buy; therefore, the committee should be more specific in terms of a program these dollars will fund.

Mr. Lynch agreed that the choices should be narrowed down to two or three options. He noted that, prior to passage of the last highway issue, Arkansas Good Roads prepared an information packet for the public

that included a map of which roads and highways would be improved and the types of improvements. That initiative passed by a large majority; a result of getting the public to buy into the plan.

Mr. Bolin stressed the importance of being diligent in the recommendations and not having a smorgasbord of recommendations. He added that Arkansas Good Roads and its coalition are ready, willing, and capable of educating the public about the importance of the decisions about to be made. Mr. Fletcher felt the first priority is educating the public on where the money comes from to build roads.

Mr. Lamberth pointed out that the committee does not have the authority to spend the money and must be very careful on any promises. Representative Sample noted that any revenue raised will be divided between AHTD, cities and counties. The committee cannot commit cities and counties to use their portion of the money to address road problems.

Representative Lowery felt the committee should not underestimate the public and should have very specific plans when it goes out to the public so they can see how highway, street and county road monies are spent. The committee should be very frank and forthright in presenting this information to the public.

Senator Capps noted the charge of this committee is to find a new method to raise funds for AHTD. It is apparent that the current system will not work due to the decrease in the gasoline taxes.

Mr. Bolin noted two things the committee should consider: protection of the state's investment and safety on our highways. He addressed accidents on two-lane and narrow roadways and the millions of miles driven by school buses per year on Arkansas's highways.

Senator Capps asked if the subcommittees needed outside help to obtain more information. He advised the committee has the ability to employ a consultant.

Mr. McKenzie noted the more they dive into the new revenue issues, the more complex the issues become. The New Revenue subcommittee is borrowing information from other sources who have done this type of research. The Texas Department of Transportation, major metropolitan planning organizations in Texas, and Texas A&M, through the Texas Transportation Institute, hired national consultants to develop a computerized model with approximately 67 variables. This model is called Trends and provides a lot of information which we are only able to approximate. In the time frame allotted by the legislation, a model such as this can not be developed for Arkansas, but it may be something useful for the future deliberation of the general assembly. It may be important for this committee to hear from the individuals in Texas. This could give the committee some idea of where it may need to bolster some of its efforts. Mr. Lynch suggested if available, the committee should borrow Texas' ideas rather than trying to re-invent the wheel.

Mr. McKenzie will make contact with individuals in Texas.

Confirm date of next meeting

The committee agreed to hold its next meeting in January and allow the subcommittees to meet in December to finalize their recommendations.

Mr. Williams noted he is currently Chairman of the American Transportation Research Institute. He feels there are many resource available which can help the committee accelerate the process as much as possible and still come up with a good product. **Mr. Williams will contact someone from this organization to come and speak to the committee.**

Mr. McKenzie asked that the New Revenue Subcommittee begin its December 16 meeting at 10:00 am or reserve the right to resume its meeting following lunch.

With no further business, the meeting adjourned at 1:49 p.m.