

STATE HIGHWAY & TRANSPORTATION DEPARTMENT (0090)
FISCAL YEAR 2014 & 2015 - Executive Recommendation

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Arkansas State Highway Commission became constitutional with the Mack-Blackwell Amendment in 1952. The Commission is responsible for maintaining and improving the State Highway System, including the planning, design and management of highway projects and administering the State Highway Employees Retirement System. The five commissioners are appointed by the Governor, with advice and consent of the Senate, for ten year terms.

Act 511 of 2007 authorized, and approved by voters in 2011, the issuance of bonds, together with previous authorized issuances (Act 1027 of '99) not to exceed \$575 million, to be repaid with federal GARVEE (Grant Anticipation Revenue Vehicles) funds and an Act 1028 of 1999 4 cents per gallon increase in the diesel fuel tax; the bonds are backed by the faith and credit of the State (approximately \$337.3 million is outstanding).

TOTAL BUDGET

The Department's total budget is approximately \$2.23 billion each year of the biennium, which includes potential funding from new bonds and for repayment pursuant to a referred constitutional amendment (HJR1001 of 2011) for a temporary one-half percent sales & use tax.

FUNDING SOURCE

The budget is funded from approximately 25% Special Revenue (includes 70% of 21.5 gas & 22.5 diesel cents per gallon, title transfer, & MV license, all of 1 cent additional per gallon & overweight/trip permits), 28% Federal Funds, 10% Trust Funds (Hwy Retirement Sys), with the remaining as GARVEE bond proceeds (7%), fund balances (5%), Non-Revenue receipts (Cities, Counties, interest, job credits), other receipts (scrap sales, insurance proceeds, etc.), and General Revenue (\$2.9 million), 23% would be from new bond proceeds and sales & use tax receipts from the referred constitutional amendment, if passed.

II) APPROPRIATION/CHANGES

State Operations - Total requested appropriation of approximately \$1.764 billion each year includes an increase of \$265 million each year over budgeted, which includes \$15 million each year in Professional Fees & Services and \$250 million each year in Capital Outlay line items, for design and construction of highways for potential passage of the constitutional amendment. Funded from Special Revenues and bond receipts.

Road & Bridge Repair - Total requested appropriation of \$2.5 million each year over budgeted includes an increase of \$600,000 each year for shale-gas-use road repair should natural gas severance tax receipts increase. Funded from the 5% general revenue portion of the severance taxes.

State Aid Streets - New appropriation request totaling \$25 in year 1 and \$27 million year 2 for municipal street construction. Funded from the permanently dedicated one cent per gallon fuel taxes of the proposed amendment and local matching funds.

Four-lane Highway Construction and Improvement Bond Account - New appropriation request totaling \$200 million each year for transfers to trustees for bond debt, redemption, investment, and highway construction and improvements as allowed by the proposed amendment. Funded from 70% of the temporary half-percent sales tax levied by the proposed amendment.

III) POSITIONS

Total positions for FY2015: 4,843

Total positions for FY2014: 4,843

Total Budgeted Positions for FY2013: 4,834

Net increase of 9 positions includes the conditional addition of 10 engineer and designer positions for the State Aid Streets program funded from the one cent per gallon fuel tax dedicated by the proposed amendment and the net reduction of a position for title/grade changes.

IV) SPECIAL LANGUAGE

* <Not Special Language> Appears in the Regular Salaries section of the bill: Authorizes the Highway Department pay plan and allows the last payroll in the fiscal year to be paid from the next year's appropriation

* Overtime - Authorizes payment of overtime for certain employees from transfers of Overtime appropriation to the Regular Salaries line item.

* Transfers Authorized: Authorizes transfer of savings in Salaries, Match, Overtime, or General Operations appropriation line items to maintenance & general operations with Leg. Council or Joint Budget review.

* Personal Services Matching Transfer: Allows for the transfer of maintenance and general operations appropriation to personal services matching appropriation in the event the personal services matching appropriation is insufficient, with Leg. Council or Joint Budget review.

* Liability Insurance Premium Reimbursement: Authorizes reimbursement to Highway Department employees for personal

liability insurance premiums paid by them on State owned vehicles of the Highway Department, up to \$50 per year per employee.

* Reporting Requirements: Authorizes the Highway Department to take appropriate action to reduce costs and requires a quarterly expenditure status report to the Legislative Council.

* Use of Funds: Requires the general revenue provided for road & bridge repair be used for damage caused by heavy equipment used for natural gas or other drilling operations, not for regular maintenance, by granting of funds to counties/cities without regard to equity.

* Maximum Funding Allocation: Limits the general revenue funding for the road & bridge repair appropriation to the 5% collected in the previous fiscal year (of natural gas severance taxes), less \$675,000.

* Carryforward - Miscellaneous Agencies Fund - Allows the fund balance for the road & bridge repair appropriation to be carried forward to the next year to be used for the same purpose, requires agency justification, reporting by DFA-Budget, and agency status report prior to budget hearings with DFA inclusion in budget manuals.