



PROVIDING ADDITIONAL FUNDS FOR STATE HIGHWAYS, COUNTY ROADS, CITY STREETS, BRIDGES, AND OTHER SURFACE TRANSPORTATION

ISSUE NO. 1

(Referred to the People by the Arkansas General Assembly – 2012)

POPULAR NAME: An amendment to provide additional funding for state highways, county roads, city streets, bridges, and other surface transportation

BALLOT TITLE: A proposed amendment to levy a temporary sales and use tax of one-half (0.5%) for state highways and bridges, county roads, bridges and other surface transportation, with the state's portion to secure state of Arkansas general obligation four-lane highway construction and improvement bonds in the total principal amount not to exceed \$1.3 billion for the purpose of constructing and improving four-lane highways in the state of Arkansas; prescribing the terms and conditions for the issuance of such bonds which will mature and be paid in full in approximately 10 years, which payment in full shall terminate the temporary sales and use tax; permanently dedicating a portion of the proceeds derived from the existing motor fuel and distillate fuel taxes to the state aid street fund; and prescribing other matters pertaining thereto.

How did this issue make it to the ballot?

Issue No. 1 is a legislatively-referred measure the Arkansas General Assembly voted to put on the state's general election ballot. The legislature can refer up to three constitutional amendments for any one ballot. All constitutional amendments require approval by a majority of voters in a statewide election.

Overall, what is being proposed?

The amendment would provide additional funding for the state's four-lane highway system,

county roads, and city streets. Specifically, the amendment would:

- (1) Authorize up to \$1.3 billion in general obligation bonds to fund highway construction and improvement of the state's four-lane highway system.
- (2) Levy a temporary one-half percent (0.5%) sales and use tax (approximately 10 years) to generate revenue to repay the bond debt and provide funding for county roads and city streets.

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- (3) Permanently dedicate one cent per gallon from proceeds derived from existing motor fuel taxes and distillate fuel taxes to the State Aid Street Fund.

Each part of the proposal is described in more detail below.

Section 1 – General Obligation Bonds for Arkansas Four-Lane Highway System

What is being proposed?

The proposed amendment authorizes the Arkansas Highway Commission to issue up to \$1.3 billion in general obligation bonds in support of the state’s four-lane highway system, with a maturity period of approximately 10 years.

What are bonds and how do they work?

A bond is an instrument of debt issued by a state or local government entity. In return for purchasing the bond, the bond holder (investor) will receive interest payments as well as the original investment on a schedule predetermined at the time the bond is issued. To retire the bonds, the unit of government must repay that total amount issued, plus the interest associated with it, over a specified period of time.

The use of bonds to finance large projects is similar to the use of a mortgage to purchase a house. Similar to a home mortgage, there are debt service costs of bonds which include payment of principal, interest and administrative fees.

- Principal payments are used to pay off the dollar amount borrowed.
- Interest is the amount paid to the bond purchaser for the use of their money. The interest rate will vary depending on the market conditions.
- Administrative fees include expenses related to issuing the bonds. Just as a person taking out a mortgage incurs costs such as attorney fees, real estate commission, and other closing costs, there are costs associated with issuing bonds.

How would the four-lane highway bond revenue be used?

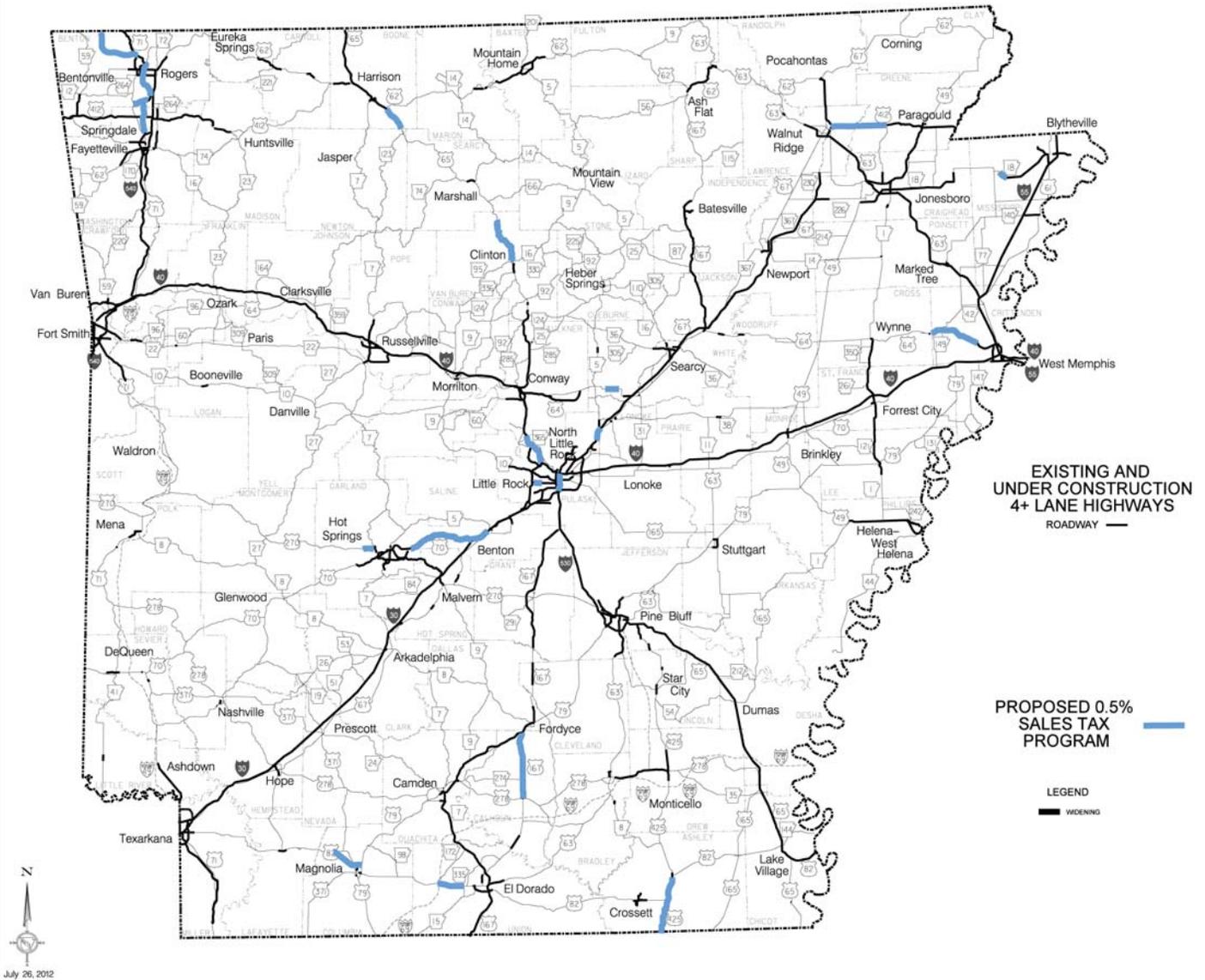
Revenue from the bonds would be used to accelerate existing highway improvement projects, fund new highway improvement projects, provide matching funds for federal programs to support highway improvements, and pay costs associated with issuing bonds.

Issue No. 1 Projects by Route

Highway	County	Location	Amount	Impact
18	Mississippi	Lake City to Hwy. 181	\$60 million	Completes the 4-lane widening from Jonesboro to Blytheville
64	Faulkner & White	Vilonia to Beebe	\$30 million	Completes the 4-lane widening from Conway to Beebe
64	Crittenden	Hwy. 147 to Earle	\$50 million	Continues the 4-lane widening between Wynne and Marion
65	Van Buren	Clinton to Dennard	\$60 million	Continues the 4-lane widening between Clinton and Harrison
65	Boone & Newton	Hwy. 412 to Western Grove	\$45 million	Continues the 4-lane widening between Clinton and Harrison
67	Pulaski & Lonoke	Jacksonville to Cabot	\$120 million	Completes the 6-lane widening between I-40 and Cabot
70	Garland & Saline	I-30 to Hot Springs	\$40 million	Completes the 4-lane widening between I-30 and Hot Springs
71	Benton	Bella Vista Bypass	\$100 million	Completes the initial two lanes of the Bella Vista Bypass
82	Columbia & Union	Magnolia-west & El Dorado-west	\$50 million	Continues to 4-lane widening between El Dorado and Texarkana
82/425	Ashley	Hamburg to the Louisiana line	\$70 million	Completes the 4-lane widening between Hamburg and I-20
167	Calhoun	Hampton to Hwy. 79	\$120 million	Completes the 4-lane widening from Little Rock to El Dorado to I-20
270	Garland	Hwy. 227 to the Ouachita River	\$13 million	Continues the 4-lane widening from Hot Springs westward
412	Benton	I-540 to Hwy. 112 & XNA Access Rd.	\$150 million	Begins construction of the 4-lane U.S. 412 northern bypass (Springdale)
412	Lawrence & Greene	Hwy. 67 to Hwy. 141	\$70 million	Completes the 4-lane widening between Walnut Ridge and Paragould
I-30	Pulaski	Downtown LR/NLR & River Bridge	\$300 million	Widening the most-traveled road in the state, including the river bridge
I-30	Saline	Benton to Hwy. 70	\$75 million	Completes the 6-lane widening between Benton and Hot Springs exit
I-40	Pulaski	I-430 to the Faulkner County line	\$20 million	Completes the 6-lane widening between Conway and North Little Rock
I-540	Washington & Benton	Fayetteville to Rogers	125 million	Completes the 6-lane widening between Fayetteville and Rogers
1-630	Pulaski	Baptist Med. Ctr. to University Ave.	\$50 million	Completes the widening between I-430 and University Ave.
			\$1.548 billion	

Source: Arkansas Highway and Transportation Department

Proposed State Highway Projects



How would the four-lane highway bonds be paid?

Bond debt issued for the four-lane highway program would be paid with revenues from the Arkansas Highway and Transportation Department's share of the proposed temporary one-half percent (0.5%) sales and use tax. General obligation bonds are backed by the full faith and credit of the state. If revenues from the temporary sales tax were insufficient to make timely payment of debt service on the bonds, payment would be made from the general revenues of the State of Arkansas.

Section 2 – 0.5% Sales and Use Tax

What is being proposed?

The proposed amendment authorizes the State of Arkansas to levy a temporary one-half percent (0.5%) sales and use tax.

How would the tax revenue be allocated?

Revenue generated from this temporary tax would be allocated as follows:

- (1) Three percent of the total tax revenue collected would go to the Constitutional Officers Fund and State Central Services Fund for administrative purposes. State law requires that three percent of any new revenue for streets and highways be allocated to these funds.
- (2) A portion of funds will be transferred to the Gasoline Tax Refund Fund to be used in paying gasoline tax refund claims. The amount allocated to this fund is determined by the Director of the Arkansas Department of Finance and Administration.

(3) All remaining revenues will be allocated in the following manner: 15 percent would go to the County Aid Fund; 15 percent would go to the Municipal Aid Fund; and 70 percent will go to the State Highway and Transportation Department Fund.

- (a) Revenues allocated to the State Highway and Transportation Department Fund would be transferred to the Arkansas Four-Lane Highway Construction and Improvement Bond Account to pay for costs associated with the four-lane highway bond issue previously described.

On what items will the new tax be collected?

The sales and use tax will be collected on all sales of property and services currently taxed by law with the exception of food and food ingredients.

If this issue is approved by the voters, what will the new state sales tax rate be?

The tax rate would increase from 6 to 6.5 percent.

When would the tax begin?

If the amendment passes, the tax will be collected beginning July 1, 2013.

When would the tax end?

The tax will end when the new state four-lane highway bond debt is repaid, an estimated 10 years after the tax starts. The tax could not be extended except by a vote of the people.

Section 3 – State Aid Street Fund

What is being proposed?

The proposed amendment permanently dedicates one cent per gallon from proceeds of existing motor fuel taxes and distillate fuel taxes to the State Aid Street Fund.

What is the State Aid Street Fund?

The State Aid Street Fund provides competitive funds for municipal street construction and improvements.

How much revenue would be transferred to the State Aid Street Fund?

The Arkansas Highway and Transportation Department estimates the one cent per gallon from the

existing motor fuel and distillate fuel taxes will dedicate approximately \$20 million per year to this fund.

The following statements are what supporters and opponents have said either in media statements and campaign literature, on web sites, or in interviews with the Public Policy Center staff. The University of Arkansas Division of Agriculture does not endorse or validate these statements.

What do supporters say?

- Construction and maintenance work on state highways, county roads and city streets creates jobs.
- The tax would be shared statewide by Arkansas consumers but would not affect the cost of groceries, medicine, or gasoline.
- The amendment would provide more than \$670 million over 10 years to be shared by every city, town and county to repair roads.
- An estimated \$1.3 billion in four-lane road construction projects would be initiated throughout the state.

What do opponents say?

- There would not be enough money transferred to small cities to have an impact on street repair nor would all areas in the state receive funding for four-lane highway construction.
- People are already strapped to pay their bills and would not support an additional tax at this time.
- It is not a good idea for the state to take on additional debt.
- The proposed road projects are not needed.

What does a "FOR" vote mean?

A **FOR** vote means you are in favor of a proposed constitutional amendment that would allow the state to issue up to \$1.3 billion in general obligation bonds to fund highway construction. You are in favor of the state levying a one-half percent (0.5%) sales and use tax to generate revenue to pay the bond debt. It would also mean you favor permanently dedicating one cent per gallon from existing motor fuel and distillate fuel tax revenues to the State Aid Street Fund.

What does an "AGAINST" vote mean?

An **AGAINST** vote means you are not in favor of a proposed constitutional amendment that would

allow the state to issue up to \$1.3 billion in general obligation bonds to fund highway construction. You are not in favor of the state levying a one-half percent (0.5%) sales and use tax to generate revenue to pay the bond debt. It would also mean you do not favor permanently dedicating one cent per gallon from existing motor fuel and distillate fuel tax revenues to the State Aid Street Fund.

Where can I find more information?

A complete version of the legislative bill can be found at: www.sos.arkansas.gov/elections/Pages/initiativeReferendums.aspx.

For additional information, please visit the University of Arkansas Division of Agriculture's Public Policy Center web site at ppc.uaex.edu or contact your county Cooperative Extension Service office.

Voter registration information and election information can be obtained through the Arkansas Secretary of State's office by calling 501-682-1010 or visiting www.sos.arkansas.gov.

Exercise your voting privilege.

We live in a democratic society where voting is a privilege of citizenship. Democracy works best when informed citizens exercise their voting privilege. The general election will be held on Nov. 6, 2012. Please vote.

The deadline to register to vote in the General Election is Oct. 8, 2012.

Early voting begins Oct. 22, 2012.

Absentee ballots are available from the county clerks' offices beginning Sept. 21, 2012.

The following statements are how the Popular Name and Ballot Title will appear on the November General Election ballot for Amendment No. 1.

Issue No. 1 (Popular Name)

AN AMENDMENT TO PROVIDE ADDITIONAL FUNDING FOR STATE HIGHWAYS, COUNTY ROADS, CITY STREETS, BRIDGES, AND OTHER SURFACE TRANSPORTATION

Ballot Title

FOR A PROPOSED CONSTITUTIONAL AMENDMENT TO LEVY A TEMPORARY SALES AND USE TAX OF ONE-HALF (0.5%) FOR STATE HIGHWAYS AND BRIDGES, COUNTY ROADS, BRIDGES AND OTHER SURFACE TRANSPORTATION, AND CITY STREETS, BRIDGES AND OTHER SURFACE TRANSPORTATION, WITH THE STATE'S PORTION TO SECURE STATE OF ARKANSAS GENERAL OBLIGATION FOUR-LANE HIGHWAY CONSTRUCTION AND IMPROVEMENT BONDS IN THE TOTAL PRINCIPAL AMOUNT NOT TO EXCEED ONE BILLION THREE HUNDRED MILLION DOLLARS (\$1,300,000,000) FOR THE PURPOSE OF CONSTRUCTING AND IMPROVING FOUR-LANE HIGHWAYS IN THE STATE OF ARKANSAS; PRESCRIBING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF SUCH BONDS WHICH WILL MATURE AND BE PAID IN FULL IN APPROXIMATELY TEN (10) YEARS, WHICH PAYMENT IN FULL SHALL TERMINATE THE TEMPORARY SALES AND USE TAX; DESCRIBING THE SOURCES OF REPAYMENT OF THE BONDS; PERMANENTLY DEDICATING A PORTION OF THE PROCEEDS DERIVED FROM THE EXISTING MOTOR FUEL AND DISTILLATE FUEL TAXES TO THE STATE AID STREET FUND; AND PRESCRIBING OTHER MATTERS PERTAINING THERETO

For Issue No. 1

Against Issue No. 1

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