

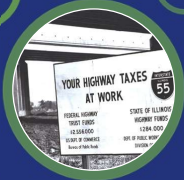
Good Afternoon Everyone

As Alan mentioned, I am David Siskowski, and I am the Division Head of ARDOT's Local Programs Division. Our Division administers many of the smaller funding programs handled by the Department, and most of those funding programs utilize Federal-aid as the primary source of funding. This is also seen at a much larger scale when looking at the overall construction program for the state highway system.

Like many other States, Federal funds make up a large chunk of ARDOT's construction funding.

I'm here today to discuss the very basics of Federal-aid funding to give you a better understanding of how federal funding gets to Arkansas.

# HIGHWAY TRUST FUND



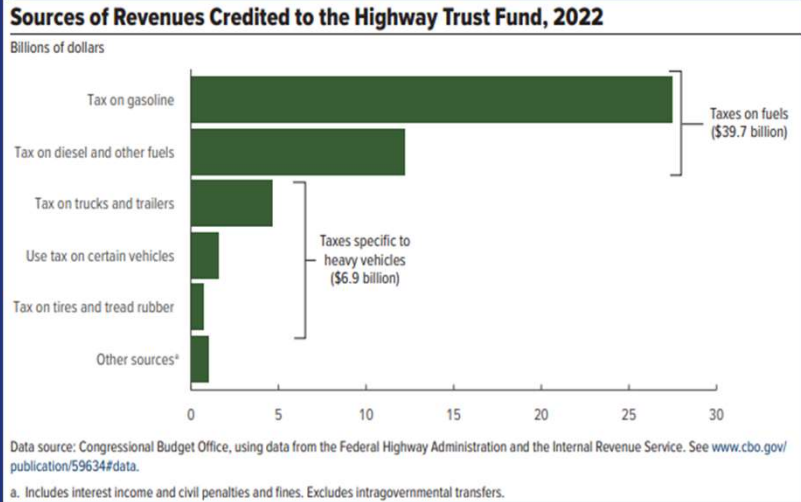
- Established to fund the Interstate System
- Federal-Aid Highway Act of 1956
- Primarily funded through gas tax

At the beginning of the process we have the Highway Trust Fund.

The Highway Trust Fund is the foundation of federal funding for surface transportation.

# HIGHWAY TRUST FUND

Established by Federal-aid Highway Act of 1956



| Motor Fuel Tax  | Gasoline | Diesel |
|-----------------|----------|--------|
| <b>National</b> | 18.4¢    | 24.4¢  |
| <b>Arkansas</b> | 24.7¢    | 28.5¢  |



# AUTHORIZATION



- Provides permission for funding programs and amounts
- Current Authorization is the Infrastructure Investment and Jobs Act (IIJA)
  - FFY 2022-2026

**Authorization** happens when Congress passes a transportation bill (typically every 5-6 years)

Think of authorization as the **permission** to spend money — not the money itself.

The **Authorization** defines:

- Which programs are eligible for funding
- The rules for how states can use the funds
- The total amounts available over a set number of years

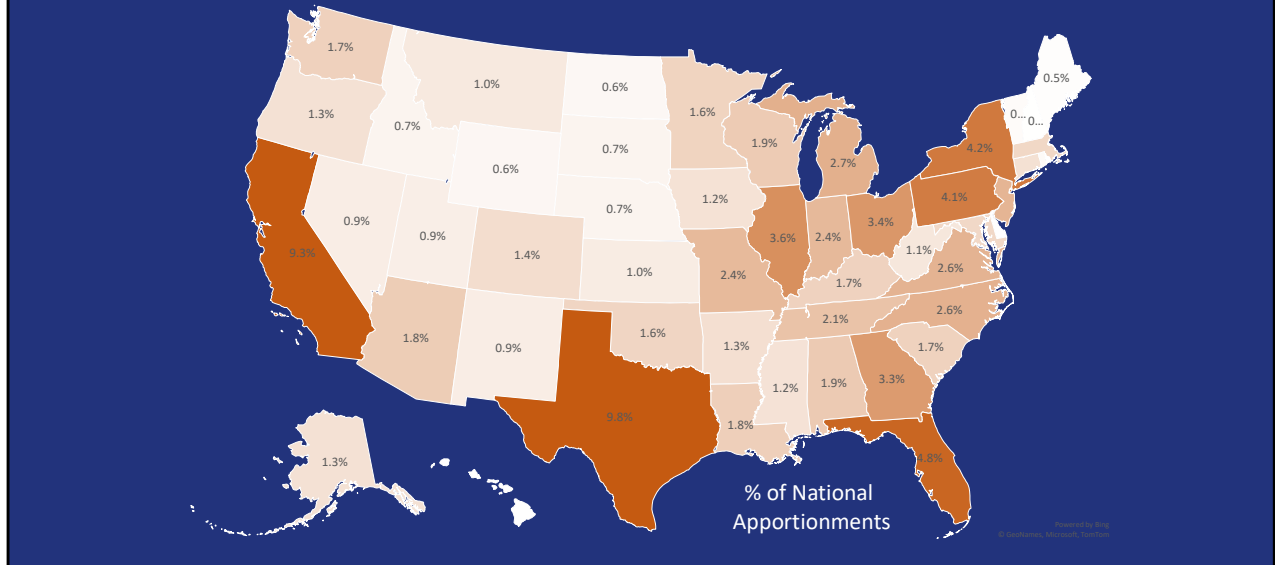
Authorization gives ARDOT and other state DOTs a predictable framework to plan long-term projects.

The current funding authorization is the **Infrastructure Investment and Jobs Act (IIJA)**, which was signed into law Nov. 15, 2021 for FFY 2022-2026.

Currently Congress is working on Re-Authorization to come up with what will replace the IIJA. They have until Sept. 30, 2026 before they need to make a replacement or do a continuing resolution to push the existing authorization out further.

# APPORTIONMENT

Arkansas receives approximately 1.3% of the total national apportionments



Once Congress provides authorization, **Apportionment** for each program and state must be determined.

Apportionment is broken out by state and by program.

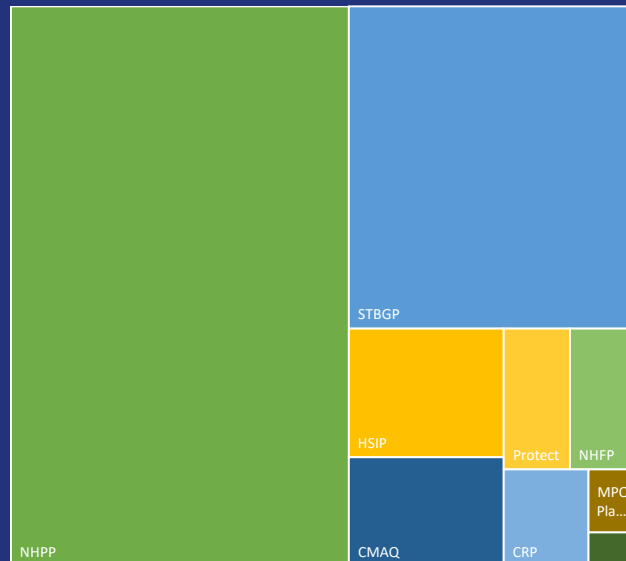
The Federal Highway Administration (FHWA) determines the apportionment through formulas that are included in the law. These formulas typically consider factors like:

- Lane miles
- Vehicle miles traveled
- Fuel consumption
- Population

Based on these formulas, Arkansas receives approximately 1.3% of the total national apportionments.

# APPORTIONMENT

- Formulas for programs are provided in authorization
- Typically based on:
  - Lane miles
  - Vehicle miles traveled
  - Fuel consumption
  - Population



As an example for some of the formulas, IIJA authorized the continuation of funding for the Recreational Trails Program which is a set-aside portion of funding out of Surface Transportation Block Grant Program (STBGP).

The apportionment is based on a two-part formula:

- 50% is equally divided between states
- 50% is divided based on non-highway recreational fuel use

Apportionment determines each state's share of program funding and allows ARDOT to budget for long-term projects.

# APPORTIONMENT

These funds are extended to the States on a reimbursable basis

| Program  | 2025 Apportionment |
|--|--------------------|
| National Highway Performance Program (NHPP)  | \$ 409.0 million   |
| Surface Transportation Block Grant Program (STBGP)   | \$ 199.0 million   |
| Highway Safety Improvement Program (HSIP)  | \$ 42.4 million    |
| Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Formula Program | \$ 20.1 million    |
| National Highway Freight Program (NHFP)  | \$ 19.1 million    |
| Carbon Reduction Program (CRP)   | \$ 17.7 million    |
| Congestion Mitigation & Air Quality (CMAQ)   | \$ 14.2 million    |
| Railway-Highway Crossings Program  | \$ 4.0 million     |
| Metropolitan Planning (MPP)  | \$ 2.4 million     |

The table on the slide shows the 2025 Apportionment for Arkansas. In total we had about \$727.9 million of formula funding apportioned to Arkansas in FFY 2025.

Within each of these programs and different pots of money, there are different requirements for how the funding is spent. For all of them, it is done on a reimbursable basis, or we need to spend the money first and then request reimbursement from FHWA.

For some examples of the different requirements, National Highway Performance Program (NHPP) funding can generally only be used on projects on the National Highway System. (which is only a few thousand miles of highways in AR)

Highway Safety Improvement Program (HSIP) funding can generally only be used on projects that will improve safety on the highway system and must be selected through a data-driven process.

And so on for each of the programs

Typically, the apportioned funding for each program is available for 4 years before it would lapse if not used

# SUBALLOCATION

A portion of these funds are set aside for larger MPOs

| Program  | 2025 MPO Apportionment (\$ millions) |                             |                       |
|--|--------------------------------------|-----------------------------|-----------------------|
|  | Central Arkansas (Metroplan)         | Northwest Arkansas (NWARPC) | West Memphis Area MPO |
| Surface Transportation Block Grant Program (STBGP) | \$ 14.79                             | \$ 11.96                    | \$ 1.26               |
| Carbon Reduction Program (CRP)                     | \$ 1.77                              | \$ 1.43                     | \$ 0.15               |
| Transportation Alternatives Program (TAP)          | \$ 1.64                              | \$ 1.33                     | \$ 0.14               |
| Congestion Mitigation & Air Quality (CMAQ)         | \$ -                                 | \$ -                        | \$ 0.70               |
| <b>Total</b>                                       | <b>\$ 18.20</b>                      | <b>\$ 14.72</b>             | <b>\$ 2.25</b>        |

Additionally, some of the formula funding is Suballocated or set-aside for the larger Metropolitan Planning Organizations (MPOs) to control.

For the 2025 Apportionments:

- Approximately \$18 million was set aside for the Central Arkansas Area (administered by Metroplan)
- Almost \$15 million was set aside for the Northwest Arkansas Area (administered by the Northwest Arkansas Regional Planning Commission)
- And a little over \$2 million was set aside for the West Memphis Area MPO

This set-aside funding must be used for projects competitively selected by the MPOs in their region. And while the MPOs have control of selecting where this funding will be spent, it still has to follow all of the other Federal guidelines that go along with the funding, the same as ARDOT. Part of the role of the Local Programs Division is to provide the general oversight on these projects to help ensure all of the Federal processes are being followed.

Once the apportionments are calculated, the funding needs to be released.

# APPROPRIATIONS

- Allows the U.S. Treasury to release money from the Highway Trust Fund
- Annual Process
- Timing is based on the federal year

Appropriations is the mechanism that

Although the Highway Trust Fund is supported by user fees, Congress still controls the annual flow of money through the appropriations process.

So, if authorization is seen as the permission, **appropriation is like the check being written.**

Appropriations are an annual process, and the timing is based on the federal fiscal year.

# OBLIGATION LIMITATION

- Obligation of funds reserves funding for a specific project
- Obligation Limitation (OL) – Allows congress to manage annual spending
- OL After August Redistribution
  - 2022 OL – Approx. 106.2% of apportionment
  - 2023 OL – Approx. 98.8% of apportionment
  - 2024 OL – Approx. 101.9% of apportionment
  - 2025 OL – Approx. 99% of apportionment



When we reserve funding with FHWA for a certain phase on a project, that act or process is called **Obligation**.

Obligation is like a line of credit. Once funds are obligated for a project, they are reserved for reimbursement for eligible expenses.

**Obligation Limitation** is a spending limit for the funding programs within each State. You might be apportioned a higher amount overall, but each year, you can only obligate up to a certain limit.

This allows Congress to manage annual spending levels without changing the total authorized amounts, a sort of budgetary control.

FHWA typically issues the notices of obligation limitation amounts annually in October, at the beginning of the new Federal Fiscal Year.

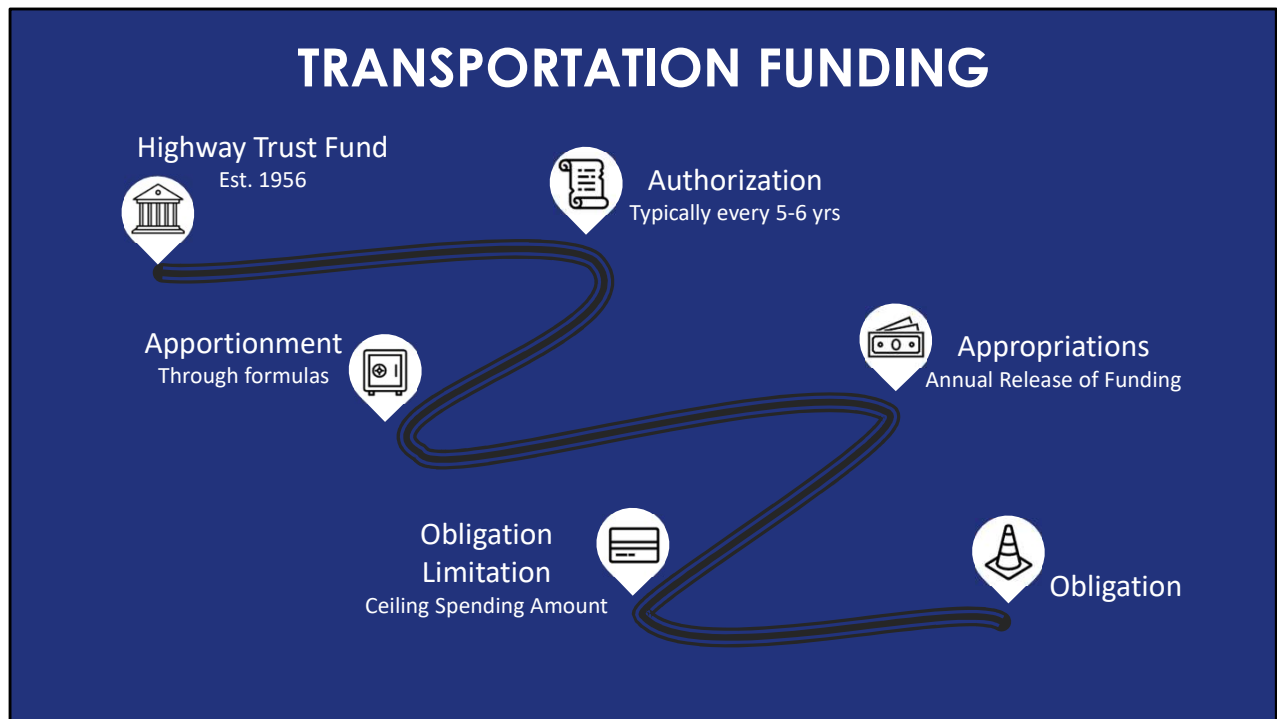
Near the end of each FFY, FHWA assesses funding that each state is unable to obligate and redistributes those funds to states that can obligate additional dollars before the end of the FFY. For the DOTs, this is referred to as August Redistribution.

Arkansas has a history of obligating additional funding every year.

To be clear, August Redistribution does not provide a state with additional funding, it provides additional obligation limitation so that other apportioned funds can be used.

As an example, let's say we got apportioned \$100 million for in our formula funding programs, and the initial obligation limitation set at the beginning of the FFY is only \$90 million. This means we can only obligate or use \$90 million of that funding. Then during August Redistribution, we are able to get an additional \$9 million that is not going to be used by other States. This would then allow us to use \$99 million of that original \$100 million apportionment. The remaining \$1 million would get carried forward to be used in a future year.

This is why you see on the screen that some of the years show over 100% OL after August Redistribution. This is possible because we sometimes have apportionments leftover in certain funding categories from previous years that we're able to obligate in the current year once the OL is made available.



So to rehash the transportation funding process:

It starts with funding being added to the Highway Trust Fund from mostly motor fuel taxes.

Then we get an Authorization or transportation bill that creates the types and limits of funding for various programs.

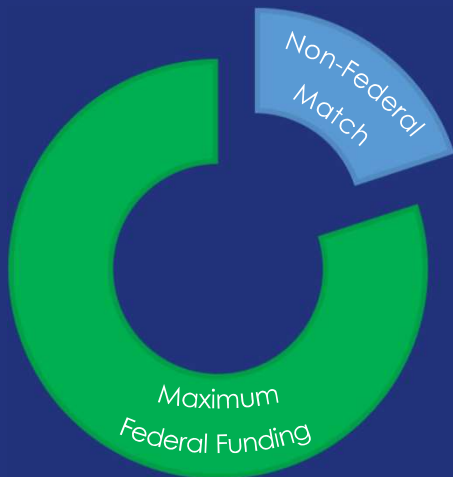
The funding for each category and state is developed via formulas to create Apportionments.

Congress passes Appropriations each year to allow States to spend the funding

An Obligation Limitation is set as a budgetary control to limit national spending to what is believed to be reimbursable

And then we're able to Obligate funding on a project, which sets aside that particular funding for that particular project and all but guarantees reimbursement

## STATE TRANSPORTATION FUNDS



- Typically, 80% is the maximum for federal funding on a project
- The match typically comes from State Transportation Funds

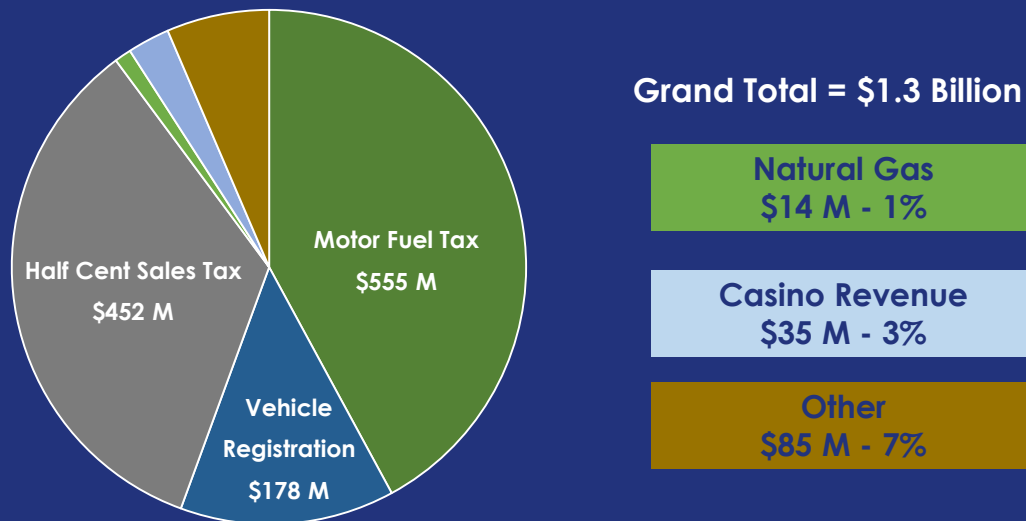
While the focus of this presentation is on Federal-aid funding and the nuances that go along with it, I believe it is also important for people to know how it fits into the bigger picture of funding for ARDOT.

It is important to remember that most categories of these federal funds must be matched with other non-federal funding. This is typically at a share of 80% maximum Federal and 20% minimum non-Federal match.

Therefore, there are two main components to our annual funding - our State Funds and our Federal Funds.

# STATE TRANSPORTATION FUNDS

Average for State Fiscal Years 2027-2028



Focusing now on the State funding side of things, the next several slides will show annual revenue and funding estimations and calculations developed in 2024 when we were developing the 2 furthest out years of the current Statewide Transportation Improvement Program (STIP), 2027 and 2028.

**The State Revenue totals** for all our roads and bridges is generated by **various sources:**

1. The state **motor fuel taxes** will bring in **\$555 million**
2. The **vehicle registration fees** will bring in **\$178 million**
3. The **½ cent sales tax** will bring in **\$452 million**
4. The **natural gas tax** will bring in **\$14 million**

There are also 3 other acts that provide funding.

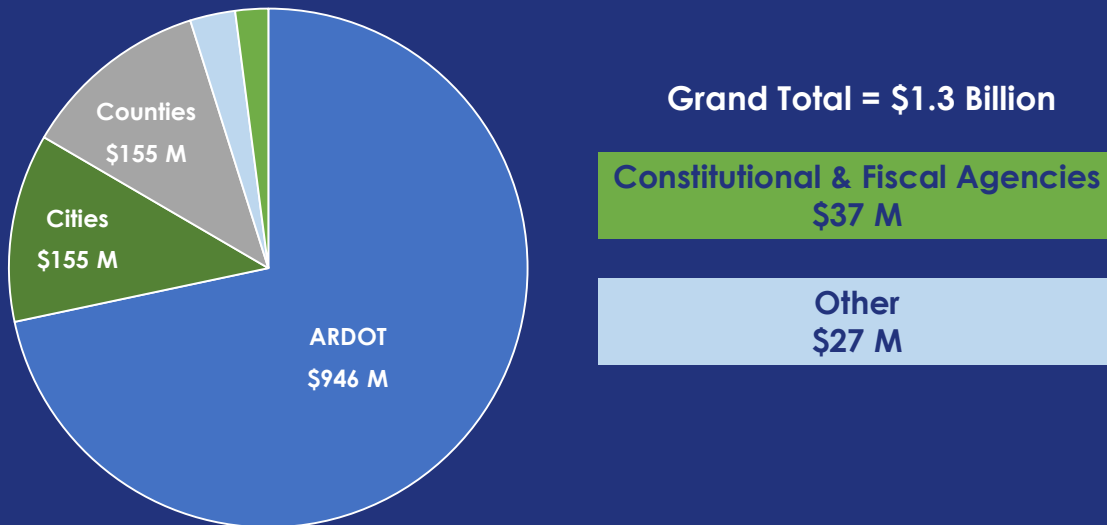
1. First, **Act 1** of 2016 includes **\$20 million** of the Securities Reserve Fund.
2. **Act 416** of 2019, includes **fuel tax** which is **\$62 million**, **alternative fuel fees** which is **\$3 million**, and **casino revenue** which totals **\$35 million**.  
The grand total for Act 416 is about **\$99 million**.
3. And **Act 1058** of 2021, which is capped at **\$50 million**, from 25% of

General Revenue Surplus.

All of this, plus a few other miscellaneous sources, totals about **\$1.3 Billion in State Transportation Funds.**

# STATE TRANSPORTATION FUNDS

Average for State Fiscal Years 2027-2028



As prescribed by Arkansas law, the **\$1.3 Billion is distributed based on the Revenue Distribution Formula.**

It should be noted that **ARDOT does not receive** the total amount. As you all know, cities, counties, and other agencies are allocated a percentage of the funds totaling about \$375 million annually.

What we're anticipating being left with at ARDOT is approximately \$946 million in State funds for each of the years.

# STATE TRANSPORTATION FUNDS

Average for State Fiscal Years 2027-2028

**Federal Funds**  
\$843 Million

**State Highway Funds**  
\$946 Million

**Total**  
\$1,789 Million

**REDUCTION: Federal Funds**  
- \$256 Million

**REDUCTION: State Funds**  
- \$493 Million

**REDUCTION: IRP Commitment**  
- \$6 Million

**Final Total**  
\$1,033 Million

So, just like the formula funds, we do not receive 100% of the total federal and state funds.

We have an estimated \$843 million in federal funding and an estimated \$946 million in state funding - totaling around \$1.8 billion to start with.

After you allocate for all of:

- the non-ARDOT projects;
- the non-construction projects (such as planning and research requirements);
- the cost for right of way acquisition and utility relocation;
- the amount needed for our operating budget;

- the pass through funding for programs like the Transportation Alternative Program (TAP) and the Recreational Trails Program (RTP); and
- the amount needed to pay off the bonds we issued for the Interstate Rehabilitation Program...

We estimated that we will be left with just over \$1 Billion for highway construction projects.



Like many other States, Federal funds make up a large chunk of ARDOT's construction funding. So how does federal funding get to Arkansas?