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Don't tax families

Better ways to fund infrastructure

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Election Day is just around the corner, and this year Arkansans will be asked to vote on Issue 1, a constitutional amendment to permanently raise the sales tax.

In 2012, voters agreed to a temporary 0.5 percent sales tax to help generate revenue for state and local highways, roads, and bridges. The measure was set to expire in 2023, but Gov. Asa Hutchinson and other state officials are now trying to make this tax increase permanent--at a time when covid-19 has already imposed unanticipated financial burdens on households across Arkansas.

Arkansas already has the second highest local and state sales-tax rates in the country at a whopping 9.53 percent. Now is not the time to prioritize new highway construction. Businesses around our state are closing and families' budgets are tight. An annual \$293 million sales-tax increase is especially burdensome for Arkansans during these unprecedented times.

Worse, the money taken from Arkansas drivers in the gas sales tax does not all go to roads and bridges. The Cato Institute reviewed each state's gas tax and vehicle fee expenditures, and found that Arkansas diverts at least 12 percent to non-highway uses. Step one: Let's stop that rather than raise taxes.

Taxing daily essentials on which Arkansans rely is not the appropriate way to fund our state's transportation needs. Tax dollars used to maintain existing roads and any new construction should come from transportation-related consumption taxes or user fees, of which Arkansas already has plenty.

Supporters of the constitutional amendment claim that it isn't a tax increase at all because the rate originally went into effect in 2012. Instead, some have called it a "continuation" of an existing tax. This is simply untrue.

When constituents went to the polls in 2012, they voted for a tax with an explicit expiration date. With a clear light at the end of the tunnel, they knew this increase would not be permanent--or so they were told. To call this anything than a tax increase would be intellectually dishonest, and taxpayers are right to be furious with politicians trying to squeeze more money out of us at a time when many are struggling.

The government should be spending the revenue it receives wisely. If it doesn't, taxpayers should not be left to fill in the gaps. Instead of nickel and diming families by permanently adopting this tax increase, lawmakers need to prioritize reforms that unleash private investment in infrastructure.

In Colorado, for example, the Interstate 70 East project was delivered by a public-private partnership in which the private sector was responsible for designing, building, financing, and maintaining the asset. Six firms worked together in their areas of specialization to deliver top-notch infrastructure with lower costs to taxpayers.

While these types of projects vary, there are generally two forms of payment.

In what is called a "revenue-risk project," tolls serve as the primary source of revenue. In an "availability payment" model, governments pay the private partners regularly so long as the infrastructure conforms with the contractual specifications, like pavement conditions, for example.

Another reform for our state to consider is an overhaul of the regulatory and permitting system in order to improve outcomes and efficiency.

In the 1980s, the struggling railroad industry was jump-started by the Staggers Act, which removed red tape and allowed railroads to innovate and compete with other modes of transportation.

Speaking to its success, researchers from the Cato Institute write: "Productivity growth in the U.S. railroad sector has far outpaced the gains in the U.S. private domestic sector. The factors underlying this performance include pricing flexibility, economies of density achieved through line abandonments, industry consolidation, and the growth of long-haul coal and intermodal traffic."

Arkansas would be wise to consider similar proposals.

Instead of digging into our pockets again to pay for our roads, lawmakers should explore better ways to fund our infrastructure that lessen the blow to taxpayers. Issue 1 tries to fill a bottomless pothole with Arkansans hard-earned tax dollars and does not even guarantee improved highways and bridges.