

State of Arkansas  
94th General Assembly  
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As Engrossed: H1/31/23

# A Bill

HOUSE BILL 1031

By: Representative L. Fite

By: Senator K. Hammer

## For An Act To Be Entitled

AN ACT TO AMEND THE ARKANSAS HIGHWAY REVENUE  
DISTRIBUTION LAW CONCERNING DISTRIBUTIONS TO COUNTY  
AID FUNDS AND MUNICIPAL AID FUNDS; AND FOR OTHER  
PURPOSES.

### Subtitle

TO AMEND THE ARKANSAS HIGHWAY REVENUE  
DISTRIBUTION LAW CONCERNING DISTRIBUTIONS  
TO COUNTY AID FUNDS AND MUNICIPAL AID  
FUNDS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

*SECTION 1. Arkansas Code § 27-70-207(b) and (c), concerning  
distributions to county and city funds, are amended to read as follows:*

*(b)(1)(A) ~~With the exception of those revenues transferred pursuant to  
Section 2 of the Highway Improvement Revenue Act of 2007, all All highway  
revenues transferred to the County Aid Fund under this subchapter shall be  
paid over by the Treasurer of State to the treasurers of the respective  
counties of this state for credit to the county highway fund, there to be  
used for transportation projects as deemed beneficial by the county to  
include without limitation:~~*

*(i) The maintenance, construction, and  
reconstruction of roads and bridges in the county highway system and for  
other surface transportation;*

*(ii) Public transportation; or*



(iii) Any other transportation system improvement or service within the political subdivision, including without limitation those projects defined as a transportation system under § 27-76-103 regardless of whether or not the political subdivision is a member of a regional mobility authority.

(B) A county may also use these funds to construct and maintain parking for county courthouses, county administration buildings, county health units, and county parks and to construct and maintain sidewalks that serve county courthouses, county administration buildings, county health units, county parks, public schools, and other publicly owned property.

(C) A county may use these funds to pay for local projects eligible for funding under state programs of the Arkansas Department of Transportation and the State Highway Commission and under federal programs of the Federal Highway Administration and the Federal Transit Administration.

(D) Furthermore, the funds may be used to install and maintain traffic signals where needed to preserve public health, safety, and welfare.

(E) A county may provide these funds to a regional mobility authority to match federal transportation funds for the financing of surface transportation system improvements on state highways, county roads, and city streets.

~~(2)(A) Funds disbursed to the County Aid Fund pursuant to Section 2 of the Highway Improvement Revenue Act of 2007 may be expended by the counties on any legitimate county purpose and are not limited to the uses set forth in subdivision (b)(1) of this section.~~

~~(B) Funds disbursed to the County Aid Fund pursuant to Section 2 of the Highway Improvement Revenue Act of 2007 shall be distributed to the various counties as are other funds contained in the County Aid Fund pursuant to subdivision (b)(3) of this section.~~

~~(3)(2)~~ The Treasurer of State shall on or before the tenth day next following the last day of each calendar month make distribution of the revenues on the following basis:

(A) Thirty-one percent (31%) of the amount according to area, with each county to receive the proportion that its area bears to the area of the state;

(B) Seventeen and one-half percent (17.5%) of the amount

according to the amount of state motor vehicle license fees collected in the calendar year next preceding any distribution as certified to the Treasurer of State by the Secretary of the Department of Finance and Administration, with each county to receive the proportion that the total of fees collected from the county bears to the total of fees collected in the state;

(C) Seventeen and one-half percent (17.5%) of the amount according to population based upon the most recent federal decennial census, with each county to receive the proportion that its population bears to the population of the state;

(D) Thirteen and one-half percent (13.5%) of the amount according to rural population based upon the most recent federal decennial census, with each county to receive the proportion that its rural population bears to the rural population of the state; and

(E) Twenty and one-half percent (20.5%) of the amount shall be divided equally among the seventy-five (75) counties.

(c)(1)(A) ~~With the exception of those revenues transferred pursuant to Section 2 of the Highway Improvement Revenue Act of 2007, all~~ All highway revenues transferred to the Municipal Aid Fund under this subchapter shall be paid over by the Treasurer of State by direct deposit to the treasurers of the respective cities of the first class, cities of the second class, and incorporated towns for credit to the street fund, there to be used for transportation projects as deemed beneficial by the governing body of the political subdivision to include without limitation:

(i) The maintenance, construction, and reconstruction of streets that are not continuations of state highways and for other surface transportation;

(ii) Public transportation; or

(iii) Any other transportation system improvement or service within the political subdivision, including without limitation those projects defined as a transportation system under § 27-76-103, regardless of whether or not the political subdivision is a member of a regional mobility authority.

(B) A city may provide these funds to a regional mobility authority to match federal transportation funds for the financing of surface transportation system improvements on state highways, county roads, and city streets.

(C) A city may use these funds to construct and maintain parking for city administration buildings, city recreation buildings, and city parks, and to construct and maintain sidewalks that serve city administration buildings, city recreational buildings, city-owned parking lots, city-owned parking decks, and city parks.

(2)(A) The Treasurer of State shall on or before the tenth day next following the last day of each calendar month make distribution of the funds on the basis of population according to the most recent federal census, with the amount to be paid over to each city or incorporated town in the proportion that its population bears to the total population of all cities and towns.

(B) If a municipality incorporates during a year in which a federal decennial census is conducted, then for purposes of this section and until data from a federal decennial or special census is made available to the municipality, the population of the municipality shall be based on the most recent federal decennial census as calculated by the Arkansas Geographic Information Systems Office.

(3)(A)(i) As used in this subdivision (c)(3), "general revenue" means any revenue deposited into a general fund account that is not:

(a) Restricted by the source of that revenue;

or

(b) Transferred from another municipal fund account.

(ii) Beginning on July 28, 2021, if a city or incorporated town has spent funds credited to the street fund in a manner inconsistent with the purposes required by subdivision (c)(1) of this section, the city or incorporated town shall repay the funds that were not used in accordance with subdivision (c)(1) of this section to the street fund from the city's or incorporated town's general revenue by the end of the following fiscal year.

(B) A city or incorporated town is not eligible to receive highway revenues under subdivision (c)(1) of this section until the city or incorporated town:

(i) Repays the entirety of the funds owed to the street fund, including any funds owed prior to July 28, 2021, as required under subdivision (c)(3)(A) of this section; or

(ii) Passes an ordinance or a resolution committing to pay and pays ten percent (10%) of the city's or incorporated town's general revenue to the street fund each year until the funds owed are repaid.

(C) However, if a city or incorporated town is unable to repay the funds owed as required by subdivision (c)(3)(B) of this section, the city or incorporated town may request the approval of the Legislative Joint Auditing Committee to pass an ordinance or resolution committing to pay a percentage less than ten percent (10%) of the city's or incorporated town's general revenue to the street fund each year until the funds owed are repaid.

(4)(A) If the Legislative Joint Auditing Committee is presented with a finding that a city or incorporated town spent funds credited to the street fund in a manner inconsistent with the purposes specified in subdivision (c)(1) of this section or that the city or incorporated town failed to make a repayment owed under subdivision (c)(3)(B)(ii) or subdivision (c)(3)(C) of this section, the Legislative Joint Auditing Committee may provide notice of the finding to the:

(i) Treasurer of State; and

(ii) The city's or incorporated town's officials or employees authorized to prevent or correct the inconsistent spending.

(B) Upon notice of a finding from the Legislative Joint Auditing Committee under subdivision (c)(4)(A) of this section, the Treasurer of State shall:

(i) Confirm with Arkansas Legislative Audit within thirty (30) days of being notified by the Legislative Joint Auditing Committee that a city or incorporated town spent funds credited to the street fund in a manner inconsistent with the purposes required by subdivision (c)(1) of this section or failed to make a repayment owed under subdivision (c)(3)(B)(ii) or subdivision (c)(3)(C) of this section; and

(ii) Withhold highway revenues under subdivision (c)(1) of this section until the entirety of the funds owed are repaid by the city or incorporated town to the street fund.

~~(5)(A) Funds disbursed to the Municipal Aid Fund pursuant to Section 2 of the Highway Improvement Revenue Act of 2007 may be expended by the cities on any legitimate municipal purpose and are not limited to the uses set forth in subdivision (c)(1) of this section.~~

~~(B) Funds disbursed to the Municipal Aid Fund pursuant to~~

~~Section 2 of the Highway Improvement Revenue Act of 2007 shall be distributed to the various cities as are other funds contained in the Municipal Aid Fund pursuant to subdivision (c)(2) of this section.~~

/s/L. Fite

**APPROVED: 2/24/23**