

**DEPARTMENT OF FINANCE AND ADMINISTRATION - REVENUE DIVISION
LEGISLATIVE IMPACT STATEMENT**

Bill No: SB11

Sponsor: Sen. Hester and Rep. Davis

Taxes Affected: Governor's Highway Funding Package

Basic Change: The proposed bill provides additional funds for highway construction and maintenance. This additional funding is provided through the following provisions:

1. Creates the Arkansas Highway Transfer Fund (Fund) and transfers \$1.5M in FY17 and \$20M in FY18 and following into that Fund from investment earnings on funds held in the State Treasury. The Arkansas State Highway and Transportation Department (AHTD) may use money accumulated in the Fund upon approval of the Governor and the Legislative Council.
2. Effective beginning Fiscal Year 2018, the current \$4M annual transfer of fuel tax revenues to state general revenues is discontinued. This \$4M will thereafter be distributed to AHTD, cities and counties for use in highway construction and maintenance.
3. Current law provides that a portion of the proceeds of the ½% sales and use tax levied by Amendment 91 to the Arkansas Constitution shall be deducted and paid to the Constitutional Officer's Fund (COF) and State Central Services Fund (SCS). The bill provides that the deduction for COF and SCS shall stop beginning July 1, 2016.
4. Provides that 25% of surplus general revenues at the end of each fiscal year will be transferred to the Fund described in paragraph #1 above and will be available for use by AHTD after approval by the Governor and Legislative Council. This transfer shall occur annually beginning with FY2017 and continuing each fiscal year thereafter.
5. Provides for a one-time transfer of \$40M to the Fund described in paragraph #1 above. This \$40M will be transferred to the Fund from the Rainy Day Set-Aside within the 90th Session Project Account of the General Improvement Fund, as created by Act 1147 of 2015.
6. Creates the Highway Commission Review and Advisory Subcommittee of the Legislative Council. This Subcommittee shall review proposed rules of the State Highway Commission and consider other State Highway Commission matters as the Subcommittee deems necessary. Also, the Subcommittee shall receive reports of progress concerning each public road construction project costing \$10M or more.

Revenue Impact:

Additional Highway Revenues – FY2017 \$49.9M (plus amount of GR surplus)

- Investment Earnings----- \$ 1.5M
- Act 1147 Transfer-----\$40.0M
- ½% Sales Tax (COF and SCS) - \$ 8.4M (Subject to 70/15/15 distribution)
- 25% of surplus GR-----\$ (To be determined)

Additional Highway Revenue – FY2018 \$32.4M (plus amount of GR surplus)

- Investment Earnings-----\$20.0M
- General Revenue Transfer ----- \$ 4.0M (Subject to 70/15/15 distribution)
- ½% Sales Tax (COF and SCS)-\$ 8.4M (Subject to 70/15/15 distribution)
- 25% of surplus GR-----\$ (To be determined)

Taxpayer Impact: None

Resources required: None

Implementation Time: Adequate time if provided for implementation

Procedural Changes: None

Additional Comments: None