

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
90th General Assembly  
Regular Session, 2015

# A Bill

HOUSE BILL 1346

By: Representative D. Douglas

## For An Act To Be Entitled

AN ACT TO PROVIDE FOR THE DISTRIBUTION OF CERTAIN TAX REVENUES; TO PROVIDE FUNDING FOR THE ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT, THE STATE HIGHWAY COMMISSION, AND RELATED PROGRAMS; TO DEDICATE CERTAIN REVENUES FOR USE BY THE ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT AND THE STATE HIGHWAY COMMISSION; TO DEDICATE THE SALES AND USE TAX REVENUE DERIVED FROM THE SALES OF NEW AND USED VEHICLES AND ROAD-USER ITEMS AND SERVICES FOR THE MAINTENANCE, CONSTRUCTION, AND RECONSTRUCTION OF HIGHWAYS, ROADS, STREETS, BRIDGES, AND THEIR EXTENSIONS LOCATED WITHIN THE STATE; TO DEDICATE CERTAIN SEVERANCE TAX REVENUES TO INSTITUTIONS OF HIGHER EDUCATION; TO DEDICATE CERTAIN SEVERANCE TAX REVENUES FOR A WORKFORCE TRAINING GRANT PROGRAM TO BE ADMINISTERED BY THE DEPARTMENT OF CAREER EDUCATION; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

## Subtitle

TO DEDICATE CERTAIN REVENUES FOR USE BY THE ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT AND THE STATE HIGHWAY COMMISSION; TO DEDICATE CERTAIN SEVERANCE TAX REVENUES FOR TRAINING AND EDUCATION; AND TO DECLARE AN EMERGENCY.

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



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SECTION 1. Arkansas Code § 26-52-107 is amended to read as follows:

26-52-107. Disposition of taxes, interest, and penalties.

All (a) Except as otherwise stated in this chapter, all taxes, interest, penalties, and costs received by the Director of the Department of Finance and Administration under ~~the provisions of~~ this chapter shall be general revenues and shall be deposited into the State Treasury to the credit of the State Apportionment Fund. The Treasurer of State shall allocate and transfer the ~~same~~ deposited taxes, interest, penalties, and costs to the various State Treasury funds participating in general revenues in the respective proportions to each as provided by, and to be used for the respective purposes ~~set forth~~ stated in, the Revenue Stabilization Law, § 19-5-101 et seq.

(b)(1) Beginning the first day of September following the issuance of an annual report certified to the Chief Fiscal Officer of the State by the Treasurer of State in which the gross collection of general revenue for sales and use tax exceeds two billion two hundred million dollars (\$2,200,000,000), the Chief Fiscal Officer of the State shall determine as a monthly allocation an amount equivalent to the percentages stated in subsection (c) of this section of the total net general revenues enumerated in § 19-6-201(1) and (2) that were collected as sales and use taxes under §§ 26-52-301, 26-52-302(a), 26-52-302(b)(1), 26-52-303, 26-52-317(c)(1)(A), 26-52-319(a)(2)(A), 26-52-319(c)(2) as distributed under § 26-52-319(a)(2)(A), 26-52-607, 26-53-106, 26-53-107(a), 26-53-107(b)(1), 26-53-145(c)(1)(A), 26-53-148(a)(2)(A), and 26-53-148(c)(2) as distributed under § 26-53-148(a)(2)(A).

(2) After making the deductions required under 19-5-202(b)(2)(B)(i), on the last day of each month the Chief Fiscal Officer of the State shall certify the allocation determined under subdivision (b)(1) of this section to the Treasurer of State, who shall transfer the certified allocation as follows:

(A) Seventy percent (70%) credited to the State Highway and Transportation Department Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the state;

(B) Fifteen percent (15%) credited to the County Aid Fund, which shall be used for the construction, reconstruction, and maintenance of

highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the county; and

(C) Fifteen percent (15%) credited to the Municipal Aid Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the municipality.

(c) In making a determination under subsection (b) of this section, the Chief Fiscal Officer of the State shall use the following percentages:

(1) Beginning September 1 of the first year, six-tenths of one percent (0.6%);

(2) Beginning July 1 of the second year, one and two-tenths percent (1.2%);

(3) Beginning July 1 of the third year, one and eight-tenths percent (1.8%);

(4) Beginning July 1 of the fourth year, two and four-tenths percent (2.4%);

(5) Beginning July 1 of the fifth year, three percent (3%);

(6) Beginning July 1 of the sixth year, three and six-tenths percent (3.6%);

(7) Beginning July 1 of the seventh year, four and two-tenths percent (4.2%);

(8) Beginning July 1 of the eighth year, four and eight-tenths percent (4.8%);

(9) Beginning July 1 of the ninth year, five and four-tenths percent (5.4%); and

(10) Beginning July 1 of the tenth year and thereafter, six percent (6%).

SECTION 2. Arkansas Code § 26-52-510, concerning the payment of sales tax on a motor vehicle, is amended to add additional subsections to read as follows:

(h)(1) Beginning the first day of September following the issuance of an annual report certified to the Chief Fiscal Officer of the State by the Treasurer of State in which the gross collection of general revenue for sales and use tax exceeds two billion two hundred million dollars (\$2,200,000,000), the Chief Fiscal Officer of the State shall determine as a monthly allocation

an amount equivalent to the percentages stated in subsection (i) of this section of the total net general revenues enumerated in § 19-6-201(1) and (2) that were collected as sales and use taxes under §§ 26-52-301, 26-52-302(a), 26-52-302(b)(1), 26-52-303, 26-52-607, 26-53-106, 26-53-107(a), and 26-53-107(b)(1) on the sale of new or used motor vehicles, trailers, or semitrailers required to be licensed in this state.

(2) After making the deductions required under § 19-5-202(b)(2)(B)(i), on the last day of each month the Chief Fiscal Officer of the State shall certify the allocation determined under subdivision (h)(1) of this section to the Treasurer of State, who shall transfer the certified allocation as follows:

(A) Seventy percent (70%) credited to the State Highway and Transportation Department Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the state;

(B) Fifteen percent (15%) credited to the County Aid Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the county; and

(C) Fifteen percent (15%) credited to the Municipal Aid Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the municipality.

(i) In making a determination under subsection (h) of this section, the Chief Fiscal Officer of the State shall use the following percentages:

- (1) Beginning September 1 of the first year, ten percent (10%);
- (2) Beginning July 1 of the second year, twenty percent (20%);
- (3) Beginning July 1 of the third year, thirty percent (30%);
- (4) Beginning July 1 of the fourth year, forty percent (40%);
- (5) Beginning July 1 of the fifth year, fifty percent (50%);
- (6) Beginning July 1 of the sixth year, sixty percent (60%);
- (7) Beginning July 1 of the seventh year, seventy percent (70%);
- (8) Beginning July 1 of the eighth year, eighty percent (80%);
- (9) Beginning July 1 of the ninth year, ninety percent (90%);

and

- (10) Beginning July 1 of the tenth year and thereafter, one

hundred percent (100%).

SECTION 3. Arkansas Code § 26-53-126, concerning the payment of use tax on motor vehicles, is amended to add additional subsections to read as follows:

(g)(1) Beginning the first day of September following the issuance of an annual report certified to the Chief Fiscal Officer of the State by the Treasurer of State in which the gross collection of general revenue for sales and use tax exceeds two billion two hundred million dollars (\$2,200,000,000), the Chief Fiscal Officer of the State shall determine as a monthly allocation an amount equivalent to the percentages stated in subsection (h) of this section of the total net general revenues enumerated in § 19-6-201(1) and (2) that were collected as sales and use taxes under §§ 26-52-301, 26-52-302(a), 26-52-302(b)(1), 26-52-303, 26-52-607, 26-53-106, 26-53-107(a), and 26-53-107(b)(1) on the sale of new or used motor vehicles, trailers, or semitrailers required to be licensed in this state.

(2) After making the deductions required under § 19-5-202(b)(2)(B)(i), on the last day of each month, the Chief Fiscal Officer of the State shall certify the allocation determined under subdivision (h)(1) of this section to the Treasurer of State, who shall transfer the certified allocation as follows:

(A) Seventy percent (70%) credited to the State Highway and Transportation Department Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the state;

(B) Fifteen percent (15%) credited to the County Aid Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the county; and

(C) Fifteen percent (15%) credited to the Municipal Aid Fund, which shall be used for the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within the municipality.

(h) In making a determination under subsection (g) of this section, the Chief Fiscal Officer of the State shall use the following percentages:

(1) Beginning September 1 of the first year, ten percent (10%);

- (2) Beginning July 1 of the second year, twenty percent (20%);
- (3) Beginning July 1 of the third year, thirty percent (30%);
- (4) Beginning July 1 of the fourth year, forty percent (40%);
- (5) Beginning July 1 of the fifth year, fifty percent (50%);
- (6) Beginning July 1 of the sixth year, sixty percent (60%);
- (7) Beginning July 1 of the seventh year, seventy percent (70%);
- (8) Beginning July 1 of the eighth year, eighty percent (80%);
- (9) Beginning July 1 of the ninth year, ninety percent (90%);

and

(10) Beginning July 1 of the tenth year and thereafter, one hundred percent (100%).

SECTION 4. Arkansas Code § 26-58-124(c), concerning the distribution of severance taxes, is amended to read as follows:

(c) All taxes, penalties, and costs collected by the director on natural gas shall be deposited into the State Treasury as follows:

(1) Five percent (5%) of the funds shall be deposited as general revenues; and

(2)(A) ~~Ninety-five~~ Except as otherwise stated in this subdivision (c)(2), ninety-five percent (95%) of the funds shall be classified as special revenues and shall be distributed as ~~set forth~~ stated in the Arkansas Highway Revenue Distribution Law, § 27-70-201 et seq.

(B) Beginning the first day of September following the issuance of an annual report certified to the Chief Fiscal Officer of the State by the Treasurer of State in which the gross collection of general revenue for sales and use tax exceeds two billion two hundred million dollars (\$2,200,000,000), a portion of the total taxes, penalties, and costs collected by the director on natural gas shall be special revenues distributed in the manner stated in subdivision (c)(2)(C) of this section in the following percentages:

(i) Beginning September 1 of the first year, twenty percent (20%);

(ii) Beginning July 1 of the second year, forty percent (40%);

(iii) Beginning July 1 of the third year, sixty percent (60%);

(iv) Beginning July 1 of the fourth year, eighty percent (80%); and

(v) Beginning July 1 of the fifth year and thereafter, one hundred percent (100%).

(C) The special revenues described in subdivision (c)(2)(B) of this section shall be distributed as follows:

(i)(a) Before any other distribution is made under this subdivision (c)(2)(C), the revenues shall be distributed to two-year colleges that are not funded at the minimum standard of equity of seventy-five percent (75%) of needed state funding according to the funding formula model for two-year colleges in the amounts necessary to bring each two-year college up to the minimum standard of equity.

(b) If the special revenues described in subdivision (c)(2)(B) of this section are insufficient to adequately fund all two-year colleges as described in subdivision (c)(2)(C)(i)(a) of this section, then the special revenues shall be distributed to the two-year colleges described in subdivision (c)(2)(C)(i)(a) of this section in amounts that are inversely proportional to the amount each two-year college received in general revenue under the Revenue Stabilization Law, § 19-5-101 et seq., the previous fiscal year;

(ii) The following amounts shall be credited to the Highway Industry Workforce Development Program Fund:

(a) The first year, five hundred thousand dollars (\$500,000);

(b) The second year, one million dollars (\$1,000,000);

(c) The third year, one million five hundred thousand dollars (\$1,500,000);

(d) The fourth year, two million dollars (\$2,000,000); and

(e) The fifth year and each year thereafter, two million five hundred thousand dollars (\$2,500,000); and

(iii) The remainder shall be credited to the Workforce Training Development Fund.

SECTION 5. Arkansas Code Title 19, Chapter 5, Subchapter 12, is

amended to add an additional section to read as follows:

19-5-1255. Highway Industry Workforce Development Program Fund.

(a) There is created on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State a miscellaneous fund to be known as the "Highway Industry Workforce Development Program Fund".

(b) The fund shall consist of:

(1) Grants made by any person or federal government agency;

(2) Revenues distributed to the fund under § 26-58-124(c)(2)(C);

(3) Any remaining fund balances carried forward from year to year; and

(4) Any other funds authorized or provided by law.

(c) The fund shall be used by the State Highway Commission to cooperate with technical colleges, two-year colleges, and industry representatives to provide funding for career and technical education programs related to highway construction, highway maintenance, and the operation of highway construction vehicles and equipment.

(d) Moneys remaining in the fund at the end of each fiscal year shall carry forward and be made available for the purposes stated in this section in the next fiscal year.

SECTION 6. Arkansas Code § 19-6-405 is amended to read as follows:

19-6-405. State Highway and Transportation Department Fund.

The State Highway and Transportation Department Fund shall consist of:

(1) That part of the special revenues as specified in § 19-6-301(2)-(4), (22), (81), (105)-(107), and (182), known as "highway revenue", as distributed under the Arkansas Highway Revenue Distribution Law, § 27-70-201 et seq., and § 27-70-103 and § 27-72-301 et seq.;

(2) Those special revenues specified in § 19-6-301(10), (152), (187), (239), and (241);

(3) Fifty percent (50%) of § 19-6-301(26);

(4) That portion of § 19-6-301(2) as set out in § 27-14-601(a)(3)(H)(ii)(f);

(5) That portion of § 19-6-301(222);

(6) Those designated revenues as set out in § 26-56-201(e)(1), which consist of the additional total of four cents (4¢) distillate special

fuel taxes to be distributed as provided in the Arkansas Highway Financing Act of 1999, § 27-64-201 et seq.;

(7) Federal revenue sharing funds as set out in § 19-5-1005; ~~and~~

(8) The sales and use tax revenues distributed to the fund under §§ 26-52-107(b), 26-52-510(h), and 26-53-126(g); and

~~(8) (9)~~ Any federal funds ~~which~~ that may become available, there to be used for the maintenance, operation, and improvement required by the Arkansas State Highway and Transportation Department in carrying out the functions, powers, and duties as set out in Arkansas Constitution, Amendment 42, and §§ 27-65-102 – 27-65-107, 27-65-110, 27-65-122, and 27-65-124, and the other laws of this state prescribing the powers and duties of the department and the State Highway Commission.

SECTION 7. Arkansas Code Title 25, Chapter 30, Subchapter 1, is amended to add an additional section to read as follows:

25-30-110. Workforce Training Grant Program.

(a) The Department of Career Education shall develop a program to award grants to public and private organizations for the development and implementation of workforce training programs using the funds available in the Skills Development Fund.

(b) In developing a grant program under this section, the Department of Career Education shall:

(1) Design procedures and criteria for awarding grants under the program;

(2) Prescribe the form, nature, and extent of the information required for an application for a grant;

(3) Monitor and inspect the records of grant recipients; and

(4) Consult with the Arkansas Economic Development Commission in reviewing applications for grants.

SECTION 8. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the highways, roads, streets, and bridges of this state are in dire need of construction, reconstruction, and maintenance; that well-maintained roadways are necessary for economic development in this state; that dedicating a portion of the general revenue that represents the sales and use tax on motor vehicle repair and the retail

sale of motor vehicle tires is necessary to help pay for the construction, reconstruction, and maintenance of our roadways; that dedicating the sales and use tax from the sale of new and used motor vehicles will be needed in order to construct, reconstruct, and repair those roadways; that dedicating certain other revenues to education and training will enable the state to continue to efficiently and effectively construct and maintain its roadways; and that in order to lessen the loss of this money from general revenue, the transfer of these taxes will be phased in over a ten-year period. Therefore, an emergency is declared to exist, and this act being necessary for the preservation of the public peace, health, and safety shall become effective on July 1, 2015.