

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1418

Amendment Number: H2

Bill Subtitle: TO DEDICATE SALES AND USE TAX REVENUE FROM THE SALES OF NEW AND USED VEHICLES AND ROAD-USER ITEMS AND SERVICES FOR ROADWAY MAINTENANCE, CONSTRUCTION, AND RECONSTRUCTION; AND TO DECLARE AN EMERGENCY.

Basic Change :

Representative Barnett

House Amendment 2 --- The amendment provides that the transfers from state General Revenues for Highway funding do not impact the current transfers from General Revenues for the Education Excellence Trust Fund and Educational Adequacy Fund.

Engrossment 03/04/13 ---House Amendment 1 --- The amendment deletes all provisions of the original bill and provides for a redistribution of the general revenue portion of the state sales and use tax to provide additional funding for state and local highways, streets and roads. Of the existing 6% state sales and use tax rate (6.5% total rate beginning July 1, 2013) the General Revenue component of the levy is 4.5%.

The proposal would provide for transfers from General Revenue to highways to begin on the first day of September following the issuance of an annual report by the State Treasurer to the Chief Fiscal Officer of the State indicating that the General Revenue portion of the state sales and use tax exceeded two billion two hundred million dollars (\$2,200,000,000) for the year. Upon reaching this threshold, a ten year phase-in of state sales and use taxes would begin.

The 10-year phase-in transfer of General Revenues would apply to: (1) The actual sales and use taxes collected on sales of motor vehicles; and (2) An amount representing the revenues collected on auto related sales of parts, labor, installation, maintenance, and diagnostic services. The estimated amount of existing revenues representing auto parts and services begins at a transfer rate of six-tenths of one percent (0.6%) and grows through the 10-year phase-in period to 6% of total general revenues.

The ten-year phase-in transfer of the 4.5% General Revenue portion of the 6.5% state sales and use tax collected on motor vehicles and the estimated amount of tax collected on auto related parts and services would occur as follows:

Motor Vehicles

Year 1	---	90% General Revenue	---	10% to Highways
Year 2	---	80% General Revenue	---	20% to Highways
Year 3	---	70% General Revenue	---	30% to Highways
Year 4	---	60% General Revenue	---	40% to Highways
Year 5	---	50% General Revenue	---	50% to Highways
Year 6	---	40% General Revenue	---	60% to Highways
Year 7	---	30% General Revenue	---	70% to Highways
Year 8	---	20% General Revenue	---	80% to Highways
Year 9	---	10% General Revenue	---	90% to Highways
Year 10	---	0% General Revenue	---	100% to Highways

Percentage Transfer Representing Estimated Sales Tax on Auto Parts and Services

Year 1	---	0.6% of State General Revenue
Year 2	---	1.2% of State General Revenue
Year 3	---	1.8% of State General Revenue

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Year 4 ---	2.4% of State General Revenue
Year 5 ---	3.0% of State General Revenue
Year 6 ---	3.6% of State General Revenue
Year 7 ---	4.2% of State General Revenue
Year 8 ---	4.8% of State General Revenue
Year 9 ---	5.4% of State General Revenue
Year 10 ---	6.0% of State General Revenue

The State General Revenue transfers would be distributed Fifteen percent (15%) to the County Aid Fund; Fifteen percent (15%) to the Municipal Aid Fund; and Seventy percent (70%) to the State Highway and Transportation Department Fund.

Revenue Impact :

The bill transfers State Sales Tax General Revenues to support funding of Arkansas highways. The current General Revenue forecast projects general revenue sales and use tax collections of \$2.2239 billion in FY14. If the projection is met, the new transfers of sales and use taxes for highways would begin September 2014, impacting FY2015 General Revenue deposits.

Total Projected General Revenue Transfers to Highways

FY2015	\$ 33.0 million
FY2016	\$ 81.6 million
FY2017	\$ 126.0 million
FY2018	\$ 173.1 million
FY2019	\$ 222.9 million
FY2020	\$ 275.5 million
FY2021	\$ 331.0 million
FY2022	\$ 389.7 million
FY2023	\$ 451.5 million
FY2024	\$ 516.7 million

Taxpayer Impact :

None

Resources Required :

None

Time Required :

None

Procedural Changes :

Implement transfers of State General Revenues to support Arkansas Highways.

Other Comments :

Amendment #2 provides that on the last day of each month the state Chief Fiscal Officer is to determine an amount, as provided in the bill, and transfer that amount from total net general revenues,

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as enumerated in state law. After first deducting amounts for the State Central Services Fund and Constitutional Officers Fund, the balance shall be distributed to the State Highway and Transportation Department Fund, the County Aid Fund and the Municipal Aid Fund. The language in the amendment regarding this monthly transfer is similar to current state law providing for distributions from total net general revenues to the Educational Excellence Trust Fund and the Education Adequacy Fund and requires this transfer to be made in the same manner as the transfers for those funds.

Legal Analysis :

Amendment #2 ensures that the funds diverted from general revenues will be transferred after allocations to various State Treasury funds participating in general revenues in the respective proportions to each, and to be used for the respective purposes stated in 19-5-101. Thus, the bill will no longer affect revenues transferred to the Educational Adequacy Fund and the Educational Excellence Trust Fund. The transferred funds will no longer become special revenues but will be an allocation from general revenue. All other provisions remain the same.