

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2076

Bill Subtitle: TO PROMOTE THE SUSTAINABILITY OF THE ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIP PROGRAM AND TO SUPPORT STATE GOALS FOR INCREASING THE COLLEGE COMPLETION RATE FOR STUDENTS RECEIVING AN ACADEMIC CHALLENGE SCHOLARSHIP.

Basic Change :

Representative Bell

The bill amends the Arkansas Academic Challenge, Part 2 scholarships awarded to nontraditional students and requires repayment of the scholarship if the recipient does not fulfill certain requirements. The bill also allows a setoff against state income tax refunds for the repayment of the scholarship as determined under the program. When the Department of Higher Education notifies the student to repay all or part of the scholarship, the Department of Higher Education will also notify the Department of Finance and Administration. The Department of Finance and Administration will administer the setoff under ACA 26-36-305.

Revenue Impact :

None

Taxpayer Impact :

Taxpayers who owe the Department of Higher Education for repayment of scholarship awards received under Arkansas Academic Challenge, Part 2 would have their income tax refunds setoff until the debt is paid off.

Resources Required :

None

Time Required :

Adequate time is provided.

Procedural Changes :

Employees will need to be trained about the new offset program. the tax community will need to be informed of the change.

Other Comments :

Although the bill only mentions that the Department of Finance and Administration will administer the debt as a setoff under ACA 26-36-305, the Department of Higher Education must comply with the setoff provisions under ACA Section 26-36-301 et seq. for the debt to be offset against the debtor's refund.

Legal Analysis :

HB2076 amends Arkansas law related to the Arkansas Academic Challenge Scholarship Program - Part 2, which is funded by proceeds from the state lottery. The part of this bill that is relevant to the Department of Finance and Administration (DFA) is that repayment amounts are subject to setoff of the student's state income tax refund under the provisions of Ark. Code Ann. § 26-36-301 et seq. The bill provides that the repayment amount owed shall be set off from any state tax refund due to the recipient. In this regard, the bill requires that at the time DHE notifies the student to repay all or a part of the scholarship money, DHE must also notify DFA, "which shall administer the setoff under § 26-36-305." This section is simply the general statute authorizing a setoff. The other setoff statutes set forth the proper procedure for claiming a setoff of income tax refunds.

DHE is a named claimant agency under the setoff statutes [Ark. Code Ann. § 26-36-303(1)(A)(iv)], and the setoff related to scholarship repayment under the bill would be authorized by current law as long as the Department of Higher Education otherwise complies with the setoff statutes.