

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1436**

**Bill Subtitle: TO AMEND THE DISTRIBUTION AND USE OF SEVERANCE TAXES; TO CREATE THE ROAD AND BRIDGE REPAIR, MAINTENANCE, AND GRANTS FUND; AND TO DECLARE AN EMERGENCY.**

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**Basic Change :** Sponsor: Representative G. Hodges

The bill is a DFA recommended bill that would change the distribution of the tax collections received from the Natural Gas Severance tax. Currently the tax is distributed as follows:

- (1) Five percent (5%) deposited to General Revenue;
- (2) Ninety-five percent (95%) deposited to Highways

The bill changes would change the distribution to:

- (1) Of the Five percent (5%) portion:
  - (a) The first six hundred and seventy-five thousand dollars (\$675,000) each year would be deposited as state general revenues; and
  - (b) The remainder of the 5% portion would be deposited into the Road and Bridge Repair, Maintenance, and Grants Fund;
- (2) Ninety-five percent (95%) continues to be deposited to Highways.

The proposed statutory change in the distribution of the severance tax to the Road and Bridge Repair, Maintenance and Grants Fund would replace an existing budget transfer that currently provides general revenues for funding. The proposed change in the distribution has no impact on the existing state General Revenue available for budgetary purposes but will eliminate DFA administrative and accounting processes related to the transfer. The proposal has an emergency clause and would be effective July 1, 2015.

### **Revenue Impact :**

#### **FY2016**

\$2.6 million reduction in General Revenue from the natural gas severance tax to be deposited to the Road and Bridge Repair, Maintenance, and Grants Fund.

#### **FY2017**

\$2.7 million reduction in General Revenue from the natural gas severance tax to be deposited to the Road and Bridge Repair, Maintenance, and Grants Fund.

HB1436 shifts a portion of the natural gas severance tax collections from general revenue to special revenue for credit to the Road and Bridge Repair, Maintenance and Grants Fund. Currently, by special language, a portion of general revenue natural gas severance taxes are provided to the Arkansas Highway and Transportation Department from the Miscellaneous Agencies fund for road repair resulting from the extraction of natural gas. HB1436 changes the funding for the road repair from general revenue to special revenue. A corresponding transfer in appropriation from general revenue to special revenue is accounted for in the Governor's proposed budget.

### **Taxpayer Impact :**

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None

**Resources Required :**

None

**Time Required :**

Adequate time is provided for implementation.

**Procedural Changes :**

This proposal will require modifications to the state's tax system to allow for the new distribution of funds.

**Legal Analysis :**

HB1436 creates a new special revenue fund ("Road and Bridge, Repair, Maintenance, and Grants Fund") for the purpose of funding the maintenance of roads and bridges in Arkansas. The bill amends the current distribution of the severance tax collected on natural gas.

The bill does not raise any constitutional or other legal issues.

The bill has an emergency clause and will become effective on July 1, 2015.