

1 State of Arkansas
2 91st General Assembly
3 Fiscal Session, 2018
4

As Engrossed: H2/27/18

A Bill

HOUSE BILL 1122

5 By: Joint Budget Committee
6

For An Act To Be Entitled

8 AN ACT TO MAKE AN APPROPRIATION FOR PERSONAL
9 SERVICES, OPERATING EXPENSES AND DATA PROCESSING
10 SYSTEM/SERVICES FOR THE OFFICE OF THE TREASURER OF
11 STATE FOR THE FISCAL YEAR ENDING JUNE 30, 2019; AND
12 FOR OTHER PURPOSES.
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Subtitle

15 AN ACT FOR THE OFFICE OF THE TREASURER OF
16 STATE APPROPRIATION FOR THE 2018-2019
17 FISCAL YEAR.
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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23 SECTION 1. REGULAR SALARIES - OPERATIONS. There is hereby established
24 for the Office of the Treasurer of State for the 2018-2019 fiscal year, the
25 following maximum number of regular employees.
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Item	Class		Maximum	Maximum Annual
No.	Code	Title	No. of	Salary Rate
			Employees	Fiscal Year
				2018-2019
31	(1) Q243U	TREAS SENIOR INVESTMENT MANAGER I	1	\$108,581
32	(2) Q244U	TREAS CHIEF DEPUTY TRESURER	2	\$105,000
33	(3) Q348U	TREAS CHIEF LEGAL COUNSEL	1	\$97,400
34	(4) Q234U	TREAS CHIEF OPERATING OFFICER	1	\$97,400
35	(5) Q154U	TREAS CHIEF FINANCIAL OFFICER	1	\$97,400
36	(6) Q352U	TREAS CHIEF INFO TECHNOLOGY OFFICER	1	\$97,400



1	(7)	Q098U TREAS CHIEF INVESTMENT OFFICER	1	\$97,400
2	(8)	Q236U TREAS DIVISION DIRECTOR	2	\$85,000
3	(9)	Q350U TREAS SENIOR INVESTMENT MANAGER II	1	\$81,000
4	(10)	Q349U TREAS DIR OF 529 & FINANCIAL EDU	1	\$81,000
5	(11)	Q351U TREAS MANAGER V	3	\$72,000
6	(12)	Q245U TREAS MANAGER IV	3	\$67,500
7	(13)	Q237U TREAS MANAGER III	2	\$63,850
8	(14)	Q238U TREAS MANAGER II	3	\$53,750
9	(15)	Q239U TREAS MANAGER I	2	\$50,250
10	(16)	Q170U TREAS ASSISTANT IV	2	\$46,000
11	(17)	Q094U TREAS ASSISTANT III	3	\$40,527
12	(18)	Q085U TREAS ASSISTANT II	<u>3</u>	\$35,250
13		MAX. NO. OF EMPLOYEES	33	

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15 SECTION 2. EXTRA HELP - OPERATIONS. There is hereby authorized, for
 16 the Office of the Treasurer of State for the 2018-2019 fiscal year, the
 17 following maximum number of part-time or temporary employees, to be known as
 18 "Extra Help", payable from funds appropriated herein for such purposes: five
 19 (5) temporary or part-time employees, when needed, at rates of pay not to
 20 exceed those provided in the Uniform Classification and Compensation Act, or
 21 its successor, or this act for the appropriate classification.

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23 SECTION 3. APPROPRIATION - OPERATIONS. There is hereby appropriated,
 24 to the Office of the Treasurer of State, to be payable from the State Central
 25 Services Fund, for personal services, operating expenses, data processing
 26 system/services, debt collection and Financial/Educational Programs including
 27 the Arkansas 529 College Savings Program, Arkansas ABLE Program and financial
 28 education of the Office of the Treasurer of State for the fiscal year ending
 29 June 30, 2019, the following:

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31	ITEM	FISCAL YEAR
32	<u>NO.</u>	<u>2018-2019</u>
33	(01) REGULAR SALARIES	\$2,264,862
34	(02) EXTRA HELP	35,000
35	(03) PERSONAL SERVICES MATCHING	695,097
36	(04) MAINT. & GEN. OPERATION	

1	(A) OPER. EXPENSE	1,104,455
2	(B) CONF. & TRAVEL	37,260
3	(C) PROF. FEES	194,375
4	(D) CAP. OUTLAY	25,000
5	(E) DATA PROC.	0
6	(05) DATA PROCESSING SYST/SERVICES	954,455
7	(06) FINANCIAL/EDUCATIONAL PROGRAMS	<u>60,000</u>
8	TOTAL AMOUNT APPROPRIATED	<u><u>\$5,370,504</u></u>

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10 SECTION 4. APPROPRIATION - INVESTMENTS - CASH. There is hereby
 11 appropriated, to the Office of the Treasurer of State, to be payable from the
 12 cash fund deposited in the State Treasury as determined by the Chief Fiscal
 13 Officer of the State, for operating expenses and data systems and services
 14 for the Investments operations of the Office of the Treasurer of State for
 15 the fiscal year ending June 30, 2019, the following:

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17	ITEM	FISCAL YEAR
18	<u>NO.</u>	<u>2018-2019</u>
19	(1) MAINT. & GEN. OPERATION	
20	(A) OPER. EXPENSE	\$30,000
21	(B) CONF. & TRAVEL	0
22	(C) PROF. FEES	20,000
23	(D) CAP. OUTLAY	75,000
24	(E) DATA PROC.	<u>150,000</u>
25	TOTAL AMOUNT APPROPRIATED	<u><u>\$275,000</u></u>

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27 SECTION 5. SPECIAL LANGUAGE. NOT TO BE INCORPORATED INTO THE ARKANSAS
 28 CODE NOR PUBLISHED SEPARATELY AS SPECIAL, LOCAL AND TEMPORARY LAW. TRANSFER
 29 PROVISION. After receiving approval from the Chief Fiscal Officer of the
 30 State, and prior review by the Arkansas Legislative Council or Joint Budget
 31 Committee, the Treasurer of State is authorized to transfer appropriation
 32 from any line item authorized in Operations Appropriation of the Treasurer's
 33 Office in this Act to any other line item authorized in Operations
 34 Appropriation.

35 The provisions of this section shall be in effect only from July 1, ~~2017~~
 36 2018 through June 30, ~~2018~~ 2019.

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SECTION 6. SPECIAL LANGUAGE – CODE AMENDMENT. Arkansas Code §§ 6-84-102 and 6-84-103 are amended to read as follows:

6-84-102. Purpose.

It is the intent and purpose of this chapter to create and establish the Arkansas Tax-Deferred Tuition Savings Program pursuant to 26 U.S.C. § 529, as in effect on January 1, ~~2017~~ 2018, to be administered by the Section 529 Plan Review Committee through the adoption of rules and regulations for the administration of the program.

6-84-103. Definitions.

As used in this chapter:

(1) “Account” means an account established in accordance with this chapter;

(2) “Account owner” means the person who, under this chapter or the rules promulgated by the Section 529 Plan Review Committee, is entitled to select or change the designated beneficiary of an account, to designate any person other than the designated beneficiary to whom funds may be paid from the account, or to receive distributions from the account if no other person is designated;

(3) “Act” means the Arkansas Tax-Deferred Tuition Savings Program Act, § 6-84-101 et seq.;

(4)(A) “Arkansas Tax-Deferred Tuition Savings Program Trust” or “trust” means the trust created under § 6-84-104.

(B) Participation in the trust shall be open to Arkansas residents and nonresidents alike;

(5) “Committee” means the Section 529 Plan Review Committee, provided for in § 6-84-105, that shall oversee the administration of the Arkansas Tax-Deferred Tuition Savings Program and ensure that the program complies with the provisions of this chapter and acts in accordance with 26 U.S.C. § 529, as in effect on January 1, ~~2017~~ 2018;

(6) “Contribution” means:

(A) Any payment directly allocated to an account for the benefit of a designated beneficiary or used to pay administrative fees associated with an account; and

(B) That portion of any rollover amount treated as a

1 contribution under 26 U.S.C. § 529, as in effect on January 1, ~~2017~~ 2018;

2 (7) "Contributor" means any person making a contribution to an
3 account;

4 (8) "Designated beneficiary" means, except as provided in § 6-
5 84-108, the individual designated at the time the account is opened as having
6 the right to receive a qualified withdrawal for the payment of qualified
7 higher education expenses or, if the designated beneficiary is replaced in
8 accordance with § 6-84-108, the replacement;

9 (9) "Higher education institution" means an eligible education
10 institution as defined in 26 U.S.C. § 135(c)(3), as in effect on January 1,
11 ~~2017~~ 2018;

12 (10) "Member of the family" shall have the same meaning as is
13 contained in 26 U.S.C. § 529(e), as in effect on January 1, ~~2017~~ 2018;

14 (11) "Nonqualified withdrawal" means a withdrawal from an
15 account that is not:

16 (A) A qualified withdrawal;

17 (B) A withdrawal made as the result of the death or
18 disability of the designated beneficiary;

19 (C) A withdrawal made as the result of a scholarship,
20 allowance, or payment described in 26 U.S.C. § 135(d)(1)(B) or (d)(1)(C), as
21 in effect on January 1, ~~2017~~ 2018, received by the designated beneficiary but
22 only to the extent of the amount of the scholarship, allowance, or payment;
23 or

24 (D) A rollover or change in the designated beneficiary;

25 (12) "Person" means a person as defined in 26 U.S.C. § 529, as
26 in effect on January 1, ~~2017~~ 2018;

27 (13) "Program" means the Arkansas Tax-Deferred Tuition Savings
28 Program established by this chapter;

29 (14) "Qualified higher education expenses" means tuition and
30 other permitted expenses as set forth in 26 U.S.C. § 529(e), as in effect on
31 January 1, ~~2017~~ 2018, for the enrollment or attendance of a designated
32 beneficiary ~~at a higher education institution~~;

33 (15) "Qualified tuition program" means a qualified tuition
34 program as defined in 26 U.S.C. § 529(b), as in effect on January 1, ~~2017~~
35 2018;

36 (16) "Qualified withdrawal" means a withdrawal from an account

1 to pay the qualified higher education expenses of the designated beneficiary
2 but only if the withdrawal is made in accordance with the requirements of the
3 program; and

4 (17) "Rollover" means a disbursement or transfer from an account
5 that is transferred to or deposited within sixty (60) calendar days of the
6 transfer into an account of the same person for the benefit of the same
7 designated beneficiary or another person as a designated beneficiary if the
8 transferee account was created under this chapter or under another qualified
9 tuition program maintained in accordance with 26 U.S.C. § 529(e), as in
10 effect on January 1, ~~2017~~ 2018.

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12 SECTION 7. SPECIAL LANGUAGE – CODE AMENDMENT. Arkansas Code §§ 6-84-
13 105 and 6-84-106 are amended to read as follows:

14 6-84-105. Administration – Authority – Powers.

15 (a) This chapter shall be administered by the Section 529 Plan Review
16 Committee, which shall be composed of:

17 (1) The Director of the Department of Higher Education;

18 (2) The Executive Director of the Arkansas Teacher Retirement
19 System; and

20 (3) The Treasurer of State.

21 (b) The committee shall adopt such rules and regulations as it deems
22 necessary and proper to administer this chapter and to ensure the compliance
23 of the Arkansas Tax-Deferred Tuition Savings Program with 26 U.S.C. § 529, as
24 in effect on January 1, ~~2017~~ 2018.

25 (c) The committee shall have the following powers, duties, and
26 functions:

27 (1) To establish, develop, implement, and maintain the program
28 in a manner consistent with the provisions of this chapter and 26 U.S.C. §
29 529, as in effect on January 1, ~~2017~~ 2018, and to obtain the benefits
30 provided by 26 U.S.C. § 529 for the program, account owners, and designated
31 beneficiaries;

32 (2) To adopt rules and regulations for the general
33 administration of the program;

34 (3) To maintain, invest, and reinvest the funds contributed into
35 the program consistent with the investment restrictions established by the
36 committee and the standard of care described in the prudent investor rule

1 under § 24-2-610; and

2 (4)(A) To make and enter into any and all contracts, agreements,
3 or arrangements and to retain, employ, and contract for the services of
4 financial institutions, depositories, consultants, broker dealers, investment
5 advisors or managers, third-party plan administrators, and research,
6 technical, and other services necessary or desirable for carrying out the
7 purposes of this chapter.

8 (B) Contracts entered into by the committee may be for a
9 term of from one (1) to ten (10) years.

10 (d) The Treasurer of State shall provide office space, staff, and
11 materials for the committee.

12 (e) A member of the committee may expend funds appropriated for the
13 member of the committee to provide the following for the benefit of the
14 Arkansas Tax-Deferred Tuition Savings Program:

- 15 (1) Office space;
16 (2) Staffing;
17 (3) Materials;
18 (4) Marketing;
19 (5) Education;
20 (6) Financial literacy programs; and
21 (7) Outreach measures.

22

23 6-84-106. Investment direction.

24 Except as permitted in 26 U.S.C. § 529, as in effect on January 1, ~~2017~~
25 2018, no person shall have the right to direct the investment of any
26 contributions to or earnings from the Arkansas Tax-Deferred Tuition Savings
27 Program.

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29 SECTION 8. SPECIAL LANGUAGE – CODE AMENDMENT. Arkansas Code §§ 6-84-
30 108 and 6-84-109 are amended to read as follows:

31 6-84-108. Naming of designated beneficiary and transfers of accounts.

32 (a) An account owner shall have the right to name the designated
33 beneficiary of an account and at any time to change the designated
34 beneficiary of an account to another individual who is a member of the family
35 of the former designated beneficiary.

36 (b) At the direction of an account owner, all or a portion of an

1 account may be transferred to another account of which the designated
2 beneficiary is a member of the family of the designated beneficiary of the
3 transferee account if the transferee account was created by this chapter or
4 under another qualified tuition program maintained in accordance with 26
5 U.S.C. § 529, as in effect on January 1, ~~2017~~ 2018.

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7 6-84-109. Account withdrawals.

8 (a) Withdrawal from an account may be made on thirty (30) days'
9 written notice by the account owner to the Section 529 Plan Review Committee
10 or on shorter notice as the committee may by regulation provide.

11 (b)(1) An account withdrawal paid to or for the benefit of any person
12 during any calendar year shall be reported to the person and to the Internal
13 Revenue Service.

14 (2) The report shall be made at the time required by the rules
15 of the Internal Revenue Service as in effect on January 1, ~~2017~~ 2018, and
16 contain such information as is required by law.

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18 SECTION 9. SPECIAL LANGUAGE – CODE AMENDMENT. Arkansas Code § 6-84-
19 111 is amended to read as follows:

20 6-84-111. Funds exempt from tax – Definitions.

21 (a)(1) Except as otherwise indicated in this chapter, interest,
22 dividends, and capital gains from funds invested in the Arkansas Tax-Deferred
23 Tuition Savings Program or a tax-deferred tuition savings program established
24 by another state under 26 U.S.C. § 529, as in effect on January 1, ~~2017~~ 2018,
25 shall be exempt from Arkansas income taxes.

26 (2) For purposes of this section:

27 (A) "Taxpayer employee" means an employee of an employer
28 with an account established under this chapter; and

29 (B) "Taxpayer employer" means a person that employs an
30 individual with an account established under this chapter;

31 (b)(1) For tax years beginning on or after January 1, 2005,
32 contributions to a tuition savings account established under this program may
33 be deducted from the taxpayer's adjusted gross income for the purpose of
34 calculating Arkansas income tax under § 26-51-403(b).

35 (2)(A) The deductible contributions shall not exceed five
36 thousand dollars (\$5,000) per taxpayer employee in any tax year.

1 (B) If the aggregate amount of contributions by a taxpayer
2 during a tax year exceeds the limitation under subdivision (b)(2)(A) of this
3 section, the unused aggregate amount may be carried forward to the next
4 succeeding four (4) tax years.

5 (C) A taxpayer employer may make a matching contribution
6 to the account of a taxpayer employee with an account established under this
7 chapter that does not exceed five hundred dollars (\$500) per contributing
8 employee per year.

9 (3) Contributions to this program that have been deducted from
10 the taxpayer employee's adjusted gross income for prior tax years shall be
11 subject to recapture from the taxpayer employee if the taxpayer employee:

12 (A) Makes a subsequent nonqualified withdrawal from the
13 account; or

14 (B) Rolls the account over to a tax-deferred tuition
15 savings program established by another state or institution under 26 U.S.C. §
16 529, as in effect on January 1, ~~2017~~ 2018.

17 (4)(A) The contribution shall be recaptured by adding the amount
18 previously deducted, not to exceed the amount of the nonqualified withdrawal
19 or rollover, to the taxpayer employee's adjusted gross income for the tax
20 year in which the nonqualified withdrawal or rollover occurred.

21 (B) The nonqualified withdrawal or rollover shall be
22 taxable to the taxpayer employee, party, account owner, or designated
23 beneficiary who actually makes the nonqualified withdrawal or rollover.

24 (c)(1)(A) For tax years beginning on or after January 1, 2017,
25 contributions to a tuition savings account established under this program or
26 a tax-deferred tuition savings program established by another state under 26
27 U.S.C. § 529, as it existed on January 1, 2017, may be deducted from the
28 taxpayer's adjusted gross income for the purpose of calculating Arkansas
29 income tax under § 26-51-403(b).

30 (B) A taxpayer may not deduct from the taxpayer's adjusted
31 gross income a contribution to a tax-deferred tuition savings program
32 established by another state if the taxpayer deducted the contribution in
33 another state or on another's state's income taxes.

34 (2)(A) The deductible contributions for a tuition savings
35 account established under this chapter shall not exceed five thousand dollars
36 (\$5,000) per taxpayer in any tax year.

1 (B) If the aggregate amount of contributions by a taxpayer
2 during a tax year exceeds the limitation under subdivision (c)(2)(A) of this
3 section, the unused aggregate amount may be carried forward to the next
4 succeeding four (4) tax years.

5 (C) The deductible contributions for a tax-deferred
6 tuition savings program established by another state under 26 U.S.C. § 529,
7 as it existed on January 1, 2017, shall not exceed three thousand dollars
8 (\$3,000) per taxpayer in any tax year.

9 (D) The deductible contributions for a tax-deferred
10 tuition savings program established by another state under 26 U.S.C. § 529,
11 as it existed on January 1, 2017, that are rolled over into a tuition savings
12 account established under this chapter shall not exceed seven thousand five
13 hundred dollars (\$7,500) per taxpayer in the tax year in which they were
14 rolled.

15 (d)(1)(A) For tax years beginning on or after January 1, 2018,
16 contributions to a tuition savings account established under the program or a
17 tax-deferred tuition savings program established by another state under 26
18 U.S.C. § 529, as it existed on January 1, 2018, may be deducted from the
19 taxpayer's adjusted gross income for the purpose of calculating Arkansas
20 income tax under § 26-51-403(b).

21 (B) A taxpayer may not deduct from the taxpayer's adjusted
22 gross income a contribution to a tax-deferred tuition savings program
23 established by another state if the taxpayer deducted the contribution in
24 another state or on another's state's income taxes.

25 (2)(A) The deductible contributions for a tuition savings
26 account established under this chapter shall not exceed five thousand dollars
27 (\$5,000) per taxpayer in any tax year.

28 (B) If the aggregate amount of contributions by a taxpayer
29 during a tax year exceeds the limitation under subdivision (d)(2)(A) of this
30 section, the unused aggregate amount may be carried forward to the next
31 succeeding four (4) tax years.

32 (C) The deductible contributions for a tax-deferred
33 tuition savings program established by another state under 26 U.S.C. § 529,
34 as it existed on January 1, 2018, shall not exceed three thousand dollars
35 (\$3,000) per taxpayer in any tax year.

36 (D) The deductible contributions for a tax-deferred

1 tuition savings program established by another state under 26 U.S.C. § 529,
 2 as it existed on January 1, 2018, that are rolled over into a tuition savings
 3 account established under this chapter shall not exceed seven thousand five
 4 hundred dollars (\$7,500) per taxpayer in the tax year in which they were
 5 rolled.

6 ~~(d)(1)~~ (e)(1) Qualified withdrawals from a tuition savings account
 7 established under this program or a tax-deferred tuition savings program
 8 established by another state under 26 U.S.C. § 529, as in effect on January
 9 1, ~~2017~~ 2018, will be exempt from Arkansas income tax with respect to the
 10 designated beneficiary's income.

11 (2)(A) Nonqualified withdrawals from a tuition savings account
 12 established under this program or a tax-deferred tuition savings program
 13 established by another state under 26 U.S.C. § 529, as in effect on January
 14 1, ~~2017~~ 2018, will be subject to Arkansas income tax.

15 (B) The nonqualified withdrawal will be taxable to the
 16 party, account owner, or designated beneficiary who actually makes the
 17 withdrawal.

18 ~~(e)~~ (f) Any earnings on the contribution that are included in the
 19 refund will be subject to Arkansas income tax if an account owner receives a
 20 refund of contributions to a tuition savings account established under this
 21 program or a tax-deferred tuition savings program established by another
 22 state under 26 U.S.C. § 529, as in effect on January 1, ~~2017~~ 2018, because of
 23 either:

24 (1) The death or disability of the designated beneficiary; or

25 (2) A scholarship, allowance, or payment described in 26 U.S.C.
 26 § 135(d)(1)(B) or (d)(1)(C), as in effect on January 1, ~~2017~~ 2018, received
 27 by the designated beneficiary.

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 29 SECTION 10. SPECIAL LANGUAGE – CODE AMENDMENT. Arkansas Code § 6-84-
 30 113 is amended to read as follows:

31 6-84-113. Liberal construction.

32 This chapter shall be liberally construed to comply with the
 33 requirements of 26 U.S.C. § 529, as in effect on January 1, ~~2017~~ 2018.

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 35 SECTION 11. SPECIAL LANGUAGE. Sections 6 through 10 of this act are
 36 effective for tax years beginning on or after January 1, 2018.

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SECTION 12. COMPLIANCE WITH OTHER LAWS. Disbursement of funds authorized by this act shall be limited to the appropriation for such agency and funds made available by law for the support of such appropriations; and the restrictions of the State Procurement Law, the General Accounting and Budgetary Procedures Law, the Revenue Stabilization Law, the Regular Salary Procedures and Restrictions Act, or their successors, and other fiscal control laws of this State, where applicable, and regulations promulgated by the Department of Finance and Administration, as authorized by law, shall be strictly complied with in disbursement of said funds.

SECTION 13. LEGISLATIVE INTENT. It is the intent of the General Assembly that any funds disbursed under the authority of the appropriations contained in this act shall be in compliance with the stated reasons for which this act was adopted, as evidenced by the Agency Requests, Executive Recommendations and Legislative Recommendations contained in the budget manuals prepared by the Department of Finance and Administration, letters, or summarized oral testimony in the official minutes of the Arkansas Legislative Council or Joint Budget Committee which relate to its passage and adoption.

SECTION 14. EFFECTIVE DATE. This act is effective on and after July 1, 2018.

/s/ Joint Budget Committee