

Economic Development

Retired Military Tax Cut:

The Governor will seek an exemption from state income tax of ALL retirement income of retired military service members. We want retired service members to move to Arkansas when starting their second career.

This exemption is a \$13 million reduction in General Revenue and is conditioned upon the Governor's consistent and long-standing principle that any additional cuts beyond the \$50 million tax reduction, must be offset with the repeal of other tax exemptions. (More can be found [HERE](#).)

Accelerator Program:

This is a \$2 million budget item. This initiative allows the State to partner with the private sector in growing the technology sector of our economy.

\$50.5 Million Income Tax Cut:

A key factor in attracting talent to this state is a state income tax rate that is below the regional average. The Governor's more than [\\$50 million income tax cut proposal](#) focuses on lower income Arkansans who earn between \$0 and \$20,999 annually and is a logical next step in our long term goal of reducing the income tax rates for all Arkansans. This tax cut will also boost consumer spending, a side benefit of which is an increase in sales tax revenue.

The total price tag for the tax cut is \$50,517,296—the bulk of which (approximately \$46 million) will substantively affect an estimated 657,000 Arkansans. Of that 657,000 (44% of the roughly 1.5 million individual income taxpayers in the state), approximately 120,000 taxpayers in the lowest bracket will be taken off the tax rolls completely.

The plan will also reduce the lowest rate in the middle income tax table in order to alleviate the “cliff” effect that occurs when an increase in a taxpayer's income causes a shift to the middle income table.

Education

ArFuture Grant:

The ArFuture Grant will pay the full cost of tuition for all Arkansans at 2-year institutions such as community college and technical college. This will be a gigantic step toward our goal of increasing post-secondary attainment level in the state. This grant program will require a high need area of study; mentorship

support; and a 3-year commitment to work in the state. (More can be found [HERE.](#))

New Higher Education Productivity Funding Formula:

This plan places the priority on accountability, student success and program completion as opposed to the previous formula, in which funding was largely based on student enrollment. In October, Governor Hutchinson pledged a \$10 million increase to higher education funding conditioned on the reform's passage. If the new funding model is adopted, Arkansas will become only the fifth state to make significant progress toward funding higher education based on similar productivity models – joining Tennessee, Indiana, Ohio, and Oregon. (More can be found [HERE.](#))

Computer Science Part 2:

This is a budget item of \$5 million and will sustain Arkansas' national leadership role in computer science education. This budget item will emphasize teacher training, technical support and student engagement.

Teacher Opportunity Program Redirect (TOPs):

This is a tuition reimbursement grant for teachers pursuing a college credit course. This program will be modified so that instead of teachers receiving this grant on a first come, first serve basis, teachers pursuing additional degrees in the field of Reading, Special Education, Pre-K, Computer Science and STEM courses will receive priority to receive this tuition reimbursement.

The Governor is targeting successful early learning through a combination of approaches. He is supporting the Reading Initiative to help create a culture of reading in the State while adding money to Pre-K programs to improve the quality of the programs. He is also refocusing \$1 million in grant money for teachers to benefit from that are pursuing additional degrees and certifications in Reading, Special Education, Pre-K, Computer Science and STEM courses.

\$3 million in Quality Pre-K Funding:

The Governor will add \$3 million in General Revenue funding to Pre-K programs. The new funding will help build on the quality of Pre-K programs offered throughout the State. The Governor is recommending new grant programs to improve and reward teacher quality and encourage and enhance innovation.

Reading Initiative (Focused on 3rd Grade Reading and Beyond):

The purpose of the initiative is to create a culture of reading in Arkansas and to improve reading in early elementary grades.

Teachers should be equipped with the knowledge and resources to provide in-depth phonics instruction. We will achieve that goal by ensuring effective Professional Development for current teachers and work with Higher Education to strengthen preparation for future teachers.

The Reading Initiative will be funded from existing funds which may be expanded as needed.

Efficiencies and Government Transformation

Reform of the State Pay Plan:

This \$24 million net cost will transform the state pay plan and increase competitiveness, retention and reward quality performance.

Ongoing Improvements to Address Foster Care:

This is a proposed \$26 million increase to meet the needs of our children in foster care and to carry out the reform recommendations from the 2015 Paul Vincent Report.

Repurposing Tobacco Settlement Funds to Decrease the Disability Waitlist:

As a priority of Governor Hutchinson's, this proposal would address a significant portion of the backlog of Arkansans on the waitlist for Developmentally Disabled Services by transferring \$8.4 million from the Tobacco Settlement Fund to a recurring funding source for meeting the needs of our disability community and reducing the waitlist. This move would substantially reduce the list of 3,000 Arkansans by 500 to 900 people.

Consolidation of Select Boards and Commissions:

A comprehensive law to reduce the number of boards and commissions by elimination and merger and to improve the delivery of state services. One example is to reduce the number of Detention Facility Review Board Districts from 28 to 8 and the number of commissioners from 144 to 40. In total, 19 unnecessary boards and commissions will be eliminated.

Agency Reorganization and Efficiency:

This reorganization effort has been a part of every legislative session since 2015 and has saved the state over \$24 million. This session the reorganization bill will include:

- a. Transfer of the Office of Energy from AEDC to ADEQ.

- b. Office of Health Information Technology (OHIT) from stand-alone agency to the Department of Health.
- c. Transfer the War Memorial Stadium Commission to the Department of Parks and Tourism

Waste Tire Management Program:

Currently, the system of waste tire management is inefficient and lacking any centralized control. The reform legislation will create a central registry within ADEQ; provide uniform fees across the state; and allow increased monitoring of the regional districts to reduce waste and abuse.

Establishing Regional Mental Health Crisis Stabilization Centers:

In order to reduce the incarceration rate of those with mental illness and to increase public safety, a pilot program of 3 centers is established in the budget with a commitment of \$5 million. This will provide a regional facility for the evaluation and treatment of those who law enforcement encounter suspected to be in need of mental health treatment.

These centers will be in addition to the Crisis Intervention Training for law enforcement.

****Additional Priorities Include**

Move Robert E. Lee Day from the Martin Luther King, Jr. National Holiday Day:

Governor Hutchinson has been a long-time supporter of separating the Dr. Martin Luther King, Jr. and Robert E. Lee holiday. This will once again be a priority for the Governor in the 2017 session.

Restore Funding to Senior Centers and Libraries:

The Governor is committed to restoring funding to the Senior Citizen Centers and Public Libraries.

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