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**STATE OF ARKANSAS**

ASA HUTCHINSON

GOVERNOR

April 2, 2019

Senator Larry Teague, Co-Chair  
Representative Lane Jean, Co-Chair  
Joint Budget Committee  
Arkansas General Assembly  
State Capitol Building  
Little Rock, AR 72201

Dear Co-Chairs:

I respectfully request the following amendments to HB1106, the 2019-2020 Operations Appropriation Bill for the Arkansas Department of Finance and Administration (DFA) - Revenue Services Division:

Please amend the following sections:

**SECTION 1. REGULAR SALARIES as follows:**

Item Class	No.	Code	Title	Maximum Annual		
				Maximum No. of Employees	Salary Rate Fiscal Year	
						2019-2020
(11)	G025C		ATTORNEY SUPERVISOR	<del>2</del>	<u>3</u>	GRADE GS12
(12)	G024C		DEPARTMENT ADMIN LAW JUDGE	<del>3</del>	<u>1</u>	GRADE GS12
(13)	G047C		ATTORNEY SPECIALIST	<del>13</del>	<u>14</u>	GRADE GS11
(15)	A033C		TAX AUDITOR SUPERVISOR	<del>28</del>	<u>30</u>	GRADE GS11
(18)	A054C		TAX AUDITOR II	<del>181</del>	<u>189</u>	GRADE GS09
(42)	A098C		FISCAL SUPPORT SPECIALIST	<del>2</del>	<u>6</u>	GRADE GS04
(43)	C046C		LEGAL SUPPORT SPECIALIST	<del>9</del>	<u>8</u>	GRADE GS04
(45)	C059C		DFA SERVICE REPRESENTATIVE	<del>673</del>	<u>711</u>	GRADE GS03
MAX. NO. EMPLOYEES				<del>1477</del>	<u>1528</u>	

This will add positions to meet the new requirements being placed on DFA due to the expansion of Casino Gaming in Arkansas. These positions

will allow for staffing in the four casino locations including auditors and support staff to cover four shifts of the 24/7 operations. The Gaming Section of DFA - Revenue Field Audit is responsible for the overall compliance and regulatory processes involved with the expanded gaming activity including, but not limited to, the following:

- Employment of personnel to conduct the compliance and regulatory duties;
- Oversight as to the proper operation of gaming devices;
- Oversight of live table money drops;
- Audit/review of established procedures for daily gaming operations; and
- Review/calculation of proper state "privilege fee" as established by law.

Additional positions are also necessary due to the new requirements being placed on DFA with passage of several Acts related to law changes to sales tax, individual income tax, corporate income tax, highways, tax exemptions, registration and titling, and driver's services.

This section also includes a transfer of positions from the Office of Hearings & Appeals from the DFA-Revenue Division to the DFA-Management Services Division. The move allows for transforming administrative law judges and support staff to a more independent and impartial environment to hear disputes involving audits related to the Arkansas Tax Procedures Act.

**SECTION 3. APPROPRIATION – REVENUE SERVICES DIVISION-OPERATIONS** as follows:

ITEM NO.	FISCAL YEAR	
	2019-2020	
(01) REGULAR SALARIES	<del>54,121,658</del>	<u>55,685,851</u>
(03) PERSONAL SERVICES MATCHING	<del>19,915,790</del>	<u>20,400,690</u>
(05) MAINT. & GEN. OPERATION		
(A) OPER. EXPENSE	<del>26,750,000</del>	<u>29,000,000</u>
(D) CAP. OUTLAY	<del>500,000</del>	<u>600,000</u>
TOTAL AMOUNT APPROPRIATED	<del>\$101,822,448</del>	<u>\$106,221,541</u>

This will provide additional Regular Salaries and Personal Services Matching appropriation for the position changes requested in Section 1. In addition, an increase in Operating Expenses of \$1,500,000 is necessary for the Online Insurance Verification System established in HB1945. This appropriation will be

funded by a transfer from the State Insurance Department Trust Fund to the State Central Services Fund for the use of the Revenue Services Division for annual expenses related to the Online Insurance Verification System established under the Arkansas Online Insurance Verification System Act, § 27-22-201 et seq.; and other related costs.

The remaining changes in Operating Expense and Capital Outlay appropriation is necessary due to the following:

- An increase in rent due to the unplanned move of the Northwest Arkansas revenue office;
- Additional resources and equipment required due to the expansion of casino gaming by the Casino Amendment; and
- Programming, equipment and additional resources needed to meet the requirements of several Acts passed during the session related to sales tax, individual income tax, corporate income tax, highways, tax exemptions, special licenses plates, multiple direct deposit requirements, registration and titling changes, and minor age driver’s license updates.

**SECTION 5. APPROPRIATION – INDIVIDUAL INCOME TAX AND AD VALOREM PROPERTY TAX REBATES as follows:**

ITEM NO.	FISCAL YEAR 2019-2020
<u>(01) INDIVIDUAL INCOME TAX AND AD VALOREM PROPERTY TAX REBATES - REFUND/REIMBURSEMENTS</u>	
	680,000,000 <u>780,000,000</u>

This will allow for increased tax refunds for individual income tax based on the tax cuts passed by the 91<sup>st</sup> and 92<sup>nd</sup> General Assembly which will impact the calendar year 2020 refund season.

**SECTION 11. APPROPRIATION – REVENUE MISCELLANEOUS CASH as follows:**

ITEM NO.	FISCAL YEAR 2019-2020
<u>(01) DISTRIBUTION OF FEES/SERVICE CHARGES</u>	
	<del>12,000,000</del> <u>24,000,000</u>

This will allow for the increase in 911 service charges passed in HB1564, which established the “Public Safety Act of 2019”. This pass-through

Senator Larry Teague, Co-Chair  
Representative Lane Jean, Co-Chair  
Page 4

appropriation is only for the prepaid wireless telecommunications service portion of the fees collected as defined in § 26-52-314.

Please add the following section:

SECTION XX. APPROPRIATION – BAD DEBT COLLECTION PILOT PROGRAM.  
There is hereby appropriated, to the Department of Finance and Administration – Revenue Services Division, to be payable from the Bad Debt Collection Pilot Program Fund, for the purpose of administering the Bad Debt Collection Pilot Program, under § 26-17-601 et seq. for the fiscal year ending June 30, 2020, the following:

ITEM NO.	FISCAL YEAR 2019-2020
<u>(01) BAD DEBT COLLECTION PILOT PROGRAM</u>	<u>\$10,000,000</u>

HB1930 creates a one-year pilot program to authorize the Director of DFA to enter into an agreement with a contractor to collect bad debts for which a certificate of indebtedness has been recorded and for which the time to appeal the assessment has expired. The contractor selected through a Request for Proposal (RFP) would report and remit all funds to DFA, which would be deposited into this newly created special revenue fund. Each month, the Treasurer of State would distribute a certified amount of compensation to the contractor and the remainder to the State Apportionment Fund.

I appreciate your consideration of this matter.

Sincerely,



Asa Hutchinson

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